DOCUMENT RESUME

ED 233 133	CE 036 048

AUTHOR	Ball, Joseph; And Others
TITLE	The Participation of Private Businesses as Work Sponsors in the Youth Entitlement Demonstration.
INSTITUTION	Manpower Demonstration Research Corp., New York, N.Y.
SPONS AGENCY	Employment and Training Administration (DOL), Washington, D.C. Office of Youth Programs.; Rockefeller Bros. Fund, New York, N.Y.; Rockefeller Foundation, New York, N.Y.
PUB DATE	Mar 81
GRANT	28-36-78-36; RF79071
NOTE	160p.; For a related document, see ED 197 224.
PUB TYPE	Reports - Evaluative/Feasibility (142)
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Adolescents; Demonstration Programs; Disadvantaged Youth; *Employer Attitudes; Employment Level; *Employment Programs; Federal Programs; Job Training; Minimum Wage; Pilot Projects; *Program Effectiveness; Program Implementation; Young Adults; *Youth Employment
IDENTIFIERS	Comprehensive Employment and Training Act; Prime Sponsors; *Private Sector; *Youth Incentive Entitlement Pilot Projects

ABSTRACT

The Youth Incentive Entitlement Pilot Projects demonstration has been the most ambitious attempt thus far to determine the feasibility of using private employers to provide a work experience in a youth employment program. In establishing this demonstration, congress authorized program operators to recruit private businesses as well as the traditional providers of work experience: public and nonprofit agencies. As part of the overall research on the implementation of entitlement, this report examines the participation of private businesses in the demonstration with particular attention to the experiences of both the firms that chose to participate and those that did not. The report addresses the strategies of prime sponsors in recruiting private businesses, the interest of firms in participating as work sponsors, and the experiences of those who participated. In particular, the report assesses the sensitivity of the participation decision to the level of wage subsidy offered by the prime sponsor on the basis of a subsidy variation experiment conducted at two sites. In addition, the study assesses the satisfaction of firms with program administration and with the youths working for them, as well as the factors that affected their willingness to remain as work sponsors. Finally, the report addresses the dual congressional mandate that job creation for entitlement youth must not result in "make-work" jobs or in displacement of work opportunities for others by examining the relationship between levels of work quality and degrees of displacement. (KC)

ED233133

THE PARTICIPATION OF PRIVATE BUSINESSES AS WORK SPONSORS IN THE YOUTH ENTITLEMENT DEMONSTRATION

Joseph Ball
Carl Wolfhagen

with

David Gerould
Loren Solnick

Manpower Demonstration
Research Corporation

March 1981

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☑ This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.

- Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

S. Mandel

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

CE 036048

This report was prepared by the staff of the Manpower Demonstration Research Corporation as part of its responsibility to oversee and carry out research on the Youth Incentive Entitlement Pilot Projects demonstration.

Support for this analysis is provided under the following grants:

Rockefeller Brothers Fund
Grant of March 29, 1979

The Rockefeller Foundation
Grant No. RF79071, Allocation 3

Office of Youth Programs
Employment and Training Administration
U.S. Department of Labor
Grant No. 28-36-78-36

The points of view or opinions stated in this document are not intended to represent the official position or policy of the supporting funding agencies.

Copyright 1981 by Manpower Demonstration Research Corporation

BOARD OF DIRECTORS
OF THE
MANPOWER DEMONSTRATION RESEARCH CORPORATION

ELI GINZBERG, Chairman
Director/Conservation of Human Resources
Columbia University

ROBERT SOLOW, Vice-Chairman
Institute Professor
Massachusetts Institute of Technology

RICHARD NATHAN, Treasurer
Professor/Public and International Affairs
Princeton University

BERNARD E. ANDERSON
Director/Social Sciences Division
Rockefeller Foundation

M. CARL HOLMAN
President
National Urban Coalition

ALAN KISTLER
Director of Organization and Field Services
AFL-CIO

DAVID SCHULTE
Vice-President/Salomon Brothers

GILBERT STEINER
Senior Fellow
Brookings Institution

PHYLLIS A. WALLACE
Professor/Alfred P. Sloan School of Management
Massachusetts Institute of Technology

NAN WATERMAN
Treasurer, Board of Directors
Children's Defense Fund

ACKNOWLEDGEMENTS

Completion of this study depended upon the contribution of many people. Joseph Ball conceived, designed and directed the study from its inception in partnership with Loren Solnick, and is responsible for the writing of the report. Carl Wolfhagen analyzed the data in consultation with Solnick and wrote the appendices. Solnick also developed the displacement monitoring methodology. David Gerould compiled qualitative data on program implementation and managed survey data collection. All four researchers participated in the survey design and benefited greatly from the imagination and encouragement offered by Judith Gueron.

Several people reviewed all or parts of various drafts, including Judith Gueron and Messrs. Grinker, Diaz, McNutt, Penn, and Ivry of MDRC, Ernst Stromsdorfer of Abt Associates and Henry Felder of SRI International. The Department of Labor also provide helpful comments.

Collecting data in the field was the responsibility of several dozen people, with particular thanks to the MDRC Tier I and Tier II field monitors for their reports on program implementation and the field interviewing of private sector work sponsors for the quality of work displacement study. Implementation analysis also benefited from the field work of MDRC research associates and consultants. Appreciation is expressed as well to Joseph Gaughan, Susannah Leete, and Joan Nassivera who interviewed several hundred private employers during the two telephone surveys.

Stephanie Sheber's assistance was invaluable in tapping the Entitlement Information system for detailed program data and special mention goes to Judith Castellano, who managed final production of the tables. Sheila Mandel edited the final draft for publication.

PREFACE

The Youth Incentive Entitlement Pilot Projects demonstration has been the most ambitious attempt thus far to determine the feasibility of using private employers to provide a work experience in a youth employment program. In establishing this demonstration, Congress authorized program operators to recruit private businesses as well as the traditional providers of work experience: public and nonprofit agencies. Previously, the involvement of the private sector in employment and training efforts had effectively been limited to on-the-job training arrangements permitted under the training title of the Comprehensive Employment and Training Act (CETA). For most of the local CETA prime sponsors that managed the demonstration, therefore, the availability of the private sector as a source of jobs was seen as a new challenge and a new opportunity. Entitlement was a chance to examine both the potential for a collaboration between private employers and public manpower agencies, and the experiences of youths in a private sector environment.

As part of the overall research on the implementation of Entitlement, this report examines the participation of private businesses in the demonstration with particular attention to the experiences of both the firms that chose to participate and those that did not. It contains lessons from the demonstration that provide valuable insights on the willingness of the private sector to take part in a manpower program. We now know, for example, that many businesses can be induced to employ disadvantaged youths and that some of these sponsorships will eventually lead to unsubsidized jobs. We also know that the effort required to recruit private work sponsors is substantial, particularly in light of the fact that all but one of the prime sponsors opted to offer the maximum subsidy level permitted, 100 percent of the minimum wage. Furthermore, the results of a small-scale experiment which tested employer willingness to sponsor youths at different levels of a wage subsidy suggest that the effectiveness of reduced labor costs as an incentive for hiring economically disadvantaged young people may be quite limited.

When considering the findings in this report, one should bear in mind that the involvement of for-profit employers was not an essential component of the Entitlement program. The demonstration was designed to find out whether the employability and educational achievement of low-income youths could be improved by linking a guaranteed job to satisfactory attendance and performance in school. Initially, program operators did not all choose to recruit private businesses as work sponsors, and those that did were faced at the same time with other unfamiliar demands, such as the need to develop new linkages with the schools and the enforcement of attendance and performance standards. The allocations of resources to meet these novel demands may have limited the time spent on the private sector component, and thus its success, at least in the early stages of the demonstration. On the other hand, the need to find jobs for all eligible youths who applied for the program undoubtedly stimulated later efforts to recruit and retain private employers, and the private sector involvement in Entitlement became an object of study.

Despite the difficulties of involving these employers, as outlined in this report, operators of employment and training programs clearly have a growing interest in including profit-making businesses in the training and development of young and disadvantaged persons. Since private sector employment comprises the vast majority of unsubsidized jobs, the inclusion of private businesses in employment-related programs greatly broadens the scope of available work opportunities. It is also apparent that many youths, as well as people in the community at large, place an added value on work experience with private firms.

The experiences outlined in this report should be put to use not only as a springboard for further learning efforts, but also as a guide for those who formulate and implement youth and manpower policies. It behooves policymakers, in designing a blueprint for future endeavors, to take advantage of what we already know about private sector responses to public sector initiatives. This report highlights the obstacles that face the public sector when it seeks the collaboration of private employers in publicly-funded social programs, but it also shows that these barriers can be overcome, provided that policymakers and public agencies understand the difficulties and are committed to putting forth the necessary effort.

Robert C. Penn
Vice-President

ENTITLEMENT SITES AND CETA PRIME SPONSORS

Tier I

Site	Prime Sponsor
Baltimore, Maryland	Mayor's Office of Manpower Resources
Boston, Massachusetts	Employment and Economic Policy Administration
Cincinnati, Ohio	City of Cincinnati Employment and Training Division
Detroit, Michigan	Employment and Training Department
Denver, Colorado	Denver Employment and Training Administration
King County, Washington	The King County Consortium
Southern Rural Mississippi	Governor's Office of Job Development and Training

Tier II

Alachua County, Florida	Alachua County CETA
Albuquerque, New Mexico	City of Albuquerque Office of CETA
Berkeley, California	Office of Employment and Community Programs
Dayton, Ohio	Office of the City Manager Manpower Planning and Management
Monterey County, California	Monterey CETA Administration

Site	Prime Sponsor
Nashua County, New Hampshire	Southern New Hampshire Services/CETA
New York, New York	Department of Employment of the City of New York
Philadelphia, Pennsylvania	City of Philadelphia Area Manpower Planning Council
Steuben County, New York	Steuben County Manpower Administration
Syracuse, New York	City of Syracuse Office of Federal and State Aid Coordination

EXECUTIVE SUMMARY

The Youth Incentive Entitlement Pilot Projects demonstration, created under the Youth Act of 1977, established a job guarantee in 17 communities for disadvantaged 16-19 year-olds, conditional on their returning to or remaining in high school. The demonstration was managed by local CETA prime sponsors, who were chosen competitively from a field of 153 applicants. During the course of the demonstration, March 1978 through August 1980, Entitlement prime sponsors enrolled and assigned 76,000 youths to jobs (part-time during the school year, full-time in the summer), nearly all at the minimum wage. Over 67,000 of the youths were assigned at seven large-scale Tier I programs, encompassing full or partial central city areas or multi-county regions. The remaining youths were employed at ten Tier II programs, covering smaller cities, rural or semi-rural counties, or school-district-sized neighborhoods.

A distinctive component of the Entitlement demonstration was the congressional authorization for prime sponsors to recruit private businesses as work sponsors, in addition to public and nonprofit agencies. Youth wages could be subsidized at up to 100 percent of the minimum wage, with the prime sponsors managing a central payroll for all enrollees. Over the course of the demonstration, 5,959 private businesses were recruited to serve as work sponsors, comprising 55 percent of all work sponsors that participated, and nearly 20 percent of all youth job hours were spent working for private business. This reflected a steady increase from 14 percent of job hours in September 1978 to 23 percent in June 1980.

The private sector authorization in Entitlement marked a departure from youth work experience programs under CETA, which had limited work sponsorships to public and nonprofit sponsors. While there had previously been small vocational exploration and work sampling projects in some communities, and an authorization for CETA prime sponsors to develop on-the-job training subsidies with private employers, Entitlement was the first large-scale opportunity to test the potential for prime sponsor/private sector cooperation, for either youths or older enrollees.

This report addresses the strategies of prime sponsors in recruiting private businesses, the interest of firms in participating as work sponsors, and the experiences of those who participated. In particular, the report assesses the sensitivity of the participation decision to the level of wage subsidy offered by the prime sponsor on the basis of a subsidy variation experiment conducted at two of the program sites. In addition, the study assesses the satisfaction of firms with program administration and with the youths working for them, and the factors which affected their willingness to remain active as work sponsors. Finally, the report addresses the dual congressional mandate that job creation for Entitlement youths must not result in "make-work" jobs or in displacement of work opportunities for others by examining the relationship between level of work quality and degree of displacement.

Prime Sponsor Job Development Strategies with the Private Sector

While some of the Entitlement prime sponsors did not believe it particularly necessary or valuable to recruit private business, most regarded the option to augment the pool of public and nonprofit agencies as a welcome opportunity. Their enthusiasm was tempered with some trepidation, however, since CETA prime sponsors had not made significant inroads with the private sector by 1977, and since the experience with large-scale on-the-job training programs in the 1960s had led many to believe that private employers were reluctant to become involved with disadvantaged enrollees or with government red tape.

Although prime sponsors were apprehensive about business responsiveness, several features of the work sponsorship arrangement were likely to allay employer reluctance. All Entitlement youths were paid from a central payroll, managed by the prime sponsor, so that work sponsors would not have the paperwork burden of carrying youths on their payrolls, withholding taxes, or covering them with Workmen's Compensation Insurance. Furthermore, all prime sponsors save one (Mississippi at 75 percent wage subsidy) opted to subsidize the full minimum wage cost of enrollees assigned to private businesses. Thus, a youth who worked a full year with a private employer (10-20 hours per week in the school year, 30-40 hours per week in the summer), with a full wage subsidy, would have brought more than $2,500 in subsidized wages to an employer at the 1980 minimum wage. These arrangements probably marked as attractive a bargain as a prime sponsor could strike in recruiting a business to provide work experience for youths.

As a bridge to businesses, several prime sponsors solicited the cooperation of Chambers of Commerce, the National Alliance of Business, or similar business organizations to recruit private employers and to screen youths for job assignment. Those prime sponsors that emphasized private sector job development proposed to give special attention to their business work sponsors, but the press of enrollment numbers at the large programs made special efforts difficult to implement. Some prime sponsors held off a major private sector effort until their programs had stabilized, then recruited businesses in increasing numbers, particularly as some began to perceive they had fairly well exhausted the pool of available public and nonprofit agencies.

Prime sponsors generally found that small retail and service establishments were easier to recruit and more likely to be geographically accessible to enrollees, who worked after school during the academic year. Experience revealed that manufacturers and large firms were less easy to recruit because of multiple bureaucratic clearance problems, difficulty in scheduling part-time work, dangerous or inappropriate work for teenagers, or employer concerns about having to negotiate union approvals to accept subsidized youths. These concerns were reflected in the mix of businesses recruited.

Businesses participating were primarily in the retail trade or service industries (over three-fourths), but an appreciable number (one-tenth) were manufacturers. Most businesses were relatively small, with over two-thirds employing fewer than ten regular workers. The average firm sponsored only one to two Entitlement enrollees at a time compared with the typical public or nonprofit agency, which sponsored two to four youths.

Subsidy Levels and Participation Rates of Private Employers

From January through April 1980, job developers in Baltimore and Detroit participated in a wage subsidy variation experiment in connection with the expansion of the Entitlement target areas in those two communities. In Detroit, staff listed over 1,000 private businesses that had not been Entitlement work sponsors. These employers were then randomly assigned to two groups, one to be approached with the offer of full wage subsidy and the other at a three-fourths wage subsidy. In Baltimore, job developers offered employers on one side of town a 50 percent subsidy, and on the other, a full wage subsidy. The minimum wage during 1980 was $3.10.

Several conditions of the wage subsidy variation experiment probably constrained the likelihood of business participation in comparison with employers at all sites over the longer course of the demonstration. For the experiment businesses were recruited over a five-month period for a subsidy of limited duration, compared with the much longer job development period which existed during the demonstration. Further, early 1980 was a period of economic decline, particularly in Detroit.

Other factors, however, may have tended to make participation rate estimates overstate the responsiveness of private businesses. First the experiment measured the decision of firms to participate, but did not measure the number that actually sponsored youths, since slower than expected job development and youth assignment in Baltimore and Detroit prevented making the latter estimate. Furthermore, while job developers were instructed to approach all businesses, save clearly inappropriate ones (such as bars and liquor stores), there may have been some tendency for them to list firms which they believed were more likely to sponsor youths.

On balance, however, it is likely that the preponderance of experimental conditions may have contributed to a lower bound estimate of likely participation rates, somewhat understating employer responsiveness in the longer-term demonstration. With this in mind the following findings emerged:

- The participation rate of businesses that were offered 100 percent wage subsidy, adjusted by multiple regression to control for differences in employer characteristics, was 18 percent. This appears to corroborate initial prime sponsor concerns about business responsiveness, despite the full subsidy and convenience of the central payroll.

- The participation rate of businesses offered a three-fourths subsidy was 10 percent, and the participation rate at one-half subsidy was 5 percent.

- Firms agreeing to participate volunteered two principal reasons: the attractiveness of the relatively low wage cost, and the opportunity to do something to help unemployed youths. More firms cited the altruistic motive as their most important consideration than volunteered the cheap labor consideration.

- Firms which were less than three years old that had previously employed youths, or that had expanded their work force in the last year were more likely to participate.

- By far the most frequently cited reason for declining to participate was that the employer simply did not have enough work, or had work which demanded higher skills than high-school youths could offer. Very few employers cited government redtape or administrative problems as disincentives.

Experience of Private Employers with Program Administration and Assigned Youths

To assess the experience of private sector sponsors who were active during the demonstration, an assessment not possible with the relatively short-term wage subsidy variation experiment, a random sample of private sector sponsors that were active in September 1979 was interviewed by telephone in May 1980. Several major findings emerged from that survey:

- On the whole, private sponsors were satisfied with the administration of the Entitlement program. They spoke with program staff frequently, usually about the performance and progress of youths at the worksites, and less often about problems with program administration. More often than not the sponsors found program staff helpful on these matters. Over half the sponsors interviewed requested youths to replace those who had departed and 80 percent of those reported that they had received replacements. Two-thirds indicated they had requested that youths assigned to them have some general or specific qualifications, and over 80 percent of these reported that youths assigned had met them.

- Private sponsors were generally satisfied with the youths assigned to them. Over 80 percent reported the youths' work habits to be average or better, and over 80 percent found youths' attitudes and willingness to work to be average or better. Three-fourths found that the youths' performance improved over time. Two-thirds indicated that supervising the youths did not take more effort than they had originally anticipated.

- The private employers experienced a fair amount of turnover among the youths assigned to them. While typically sponsoring only one or two youths at a time, on average private employers sponsored seven youths. On the basis of the youths that had stayed longest with them, nearly one-third of the employers had no youth who lasted more than six months, but another one-quarter had at least one youth who stayed more than a year.

- One-fifth of the employers reported that they had hired Entitlement enrollees on their own payrolls after sponsoring them at a subsidy.

- To assess work sponsor satisfaction with individual youths, employers were asked to report the tenure and departures for the youths that had been most recently assigned to them (up to six youths could be listed). Of the most recently assigned youths, nearly two-thirds were still working for their employer at the time of the interview. Employers indicated that of the youths who had departed, they had been satisfied with the performance of 63 percent, had a neutral opinion of about 20 percent, and had been dissatisfied with 17 percent. The last group represent 5 percent of the youths who had left on their own, and 12 percent whom the employer had "fired" (requested that prime sponsor staff reassign the youths elsewhere).

- During the period September 1979 through May 1980, 87 percent of the businesses continued to sponsor youths or were temporarily without a youth at the time they were interviewed. Only 13 percent reported they had chosen to cease participation. On an annualized basis, this would indicate a 17 percent "quit rate" for private sector sponsors.

- Regression analysis indicates that the only factors which made a statistically significant contribution to an employer's willingness to remain active as a sponsor were factors related to their degree of satisfaction with the youths assigned to them. There is also some indication that prime sponsors recruiting a very large share of their work sponsors from the private sector were more likely to experience lower private sponsor retention rates. Other factors, connected with program implementation strategies, did not significantly affect sponsor retention. These included whether a business intermediary group handled job development and liaison, and whether work sponsors found program staff to be helpful or not.

Work Quality and Displacement

There was a widely held opinion among Entitlement prime sponsors that the private sector component was valuable for two principal reasons. First, the expanded pool of potential sponsors that included private businesses made it easier to assure guaranteed jobs to enrollees. Second, prime sponsors perceived that the quality of jobs in the private sector was greater than in public and nonprofit sectors. With respect to the latter perception, the analysis of worksite quality and the dual congressional prohibitions against "make-work" jobs and displacement indicate a somewhat more complex picture.

- From the field reports on a random sample of worksites in all three sectors, upon which MDRC has reported previously, there are few measures of quality which distinguish private sector sponsors from all others. There were lower youth-to-supervisor ratios in the private sector. Private sponsors were somewhat less likely to value the work which youths performed for them, while youths assigned to the private sector were more likely to think the assignment would help them get a job in the future. On other characteristics and on two overall indices of quality, however, there were no significant differences between private sector and other work sponsors. For all worksites evaluated, regardless of sector, 87 percent were assessed to be adequate or better and 13 percent were found inadequate.

- Concurrent analyses of displacement and work quality in a sample of private sector worksites indicate that the higher the overall quality rating for a worksite, the greater the likelihood that some other worker had been displaced from a job as a result. Compared with worksites that were judged "inadequate,"

> worksites that were rated "outstanding" displayed 22 percent greater displacement. The most pronounced difference in displacement appears to have been between inadequate worksites and those rated adequate. There is a trade-off, such that the less a worksite is constituted "make-work," the greater the chance that someone has been displaced. The more that employers need the work done, the greater the likelihood that they would have hired an unsubsidized worker to perform that work.

The policy rationale prohibiting "make-work" is clear, particularly where a program's purpose is to develop an exemplary work experience for youths, one intended to foster good work habits. The issue of displacement and its impacts, on the other hand, appears to encompass several implicit policy judgments, some of which may compete with each other. If a work sponsor displaces another disadvantaged youth by hiring a subsidized enrollee, there may be little net result except a subsidy to the employer. If a non-disadvantaged youth is displaced, but has more alternatives available than the disadvantaged enrollee, policymakers might attach a different value to this redistributive effect. If the employer that benefits from a displacement subsidy is a young firm, seeking to establish itself in a declining neighborhood, policymakers could regard the subsidy as having different value than a subsidy to an established firm in a more stable neighborhood.

While the available data do not indicate which of these displacement impacts was most prominent for private sector work sponsors in Entitlement -- although there is good reason to believe that all were present to some extent -- the flat congressional prohibition against displacement does not address these differential impacts nor assign relative priorities for avoiding certain ones more than others. Clearly, however, if there is a strong emphasis on avoiding "make-work," part of the price of involving the private sector is some degree of displacement.

Findings from surveys with private employers and from interviews with prime sponsor staffs indicate that the ability to access the private sector was a valuable feature of the Entitlement demonstration. It greatly eased the ability of some prime sponsors to satisfy the requirement that they guarantee jobs to eligible youths, and thus probably raised the quality of other worksites by reducing the need for prime sponsors to ask them to overload themselves with too many youths. Youths working with private sponsors seemed to value the experience somewhat more highly than the youths who were assigned to public and nonprofit employers, and many of them were subsequently picked up on the private employers' payrolls. Recruiting and serving private sector work sponsors took more staff time, however, and did not result in dramatically higher quality worksites. Where quality was greater at private sector worksites, so was displacement.

Thus, the benefits of the private sector component in Entitlement were substantial, if somewhat offset by countervailing costs. The relatively low participation rate of firms, even at a full wage subsidy, and the notably lower participation, where firms had to assume part of the wage cost, may additionally raise some questions about business community responsiveness to employing disadvantaged youths at costs below the minimum wage.

TABLE OF CONTENTS

	Preface	-v-
	Executive Summary	-xi-
	List of Tables and Charts	-xxiii-
CHAPTER 1	INTRODUCTION	1
CHAPTER 2	PRIME SPONSOR STRATEGIES IN RECRUITING PRIVATE EMPLOYERS	11
CHAPTER 3	THE RESPONSE OF PRIVATE BUSINESSES IN THE WAGE SUBSIDY VARIATION EXPERIMENT	25
CHAPTER 4	PRIVATE SECTOR SATISFACTION AND RETENTION	45
CHAPTER 5	THE UTILITY OF THE PRIVATE SECTOR COMPONENT IN ENTITLEMENT	68
APPENDIX A	THE WAGE SUBSIDY VARIATION EXPERIMENT	85
APPENDIX B	SURVEY OF ACTIVE WORK SPONSORS	103
APPENDIX C	THE WORK QUALITY/DISPLACEMENT RELATIONSHIP	119
	References	133

LIST OF TABLES AND CHARTS

TABLE		PAGE
1	DESCRIPTION OF ENTITLEMENT AREAS AND CUMULATIVE NUMBER OF ASSIGNED YOUTH IN THE YOUTH ENTITLEMENT DEMONSTRATION THROUGH AUGUST 1980, BY SITE	2
2	DISTRIBUTION OF WORK SPONSORS BECOMING ACTIVE FOR THE FIRST TIME DURING SELECTED TIME PERIODS, BY SECTOR OF WORK SPONSOR AND SITE	16
3	DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS AND HOURS WORKED IN THE PRIVATE SECTOR, THROUGH AUGUST 1980, BY SITE	20
4	PERCENTAGE DISTRIBUTION OF ACTIVE PRIVATE SECTOR WORK SPONSORS THROUGH AUGUST 1980, BY TIER AND INDUSTRY TYPE	21
5	PERCENTAGE DISTRIBUTION OF HOURS WORKED IN THE PRIVATE SECTOR THROUGH AUGUST 1980, BY TIER AND OCCUPATIONAL CATEGORY	22
6	DISTRIBUTION OF PRIVATE SECTOR EMPLOYERS CONTACTED IN THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SITE AND SUBSIDY LEVEL	32
7	REGRESSION-ADJUSTED PARTICIPATION RATES OF A SAMPLE OF PRIVATE EMPLOYERS CONTACTED IN THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SUBSIDY LEVEL	34
8	PERCENTAGE DISTRIBUTION OF REASONS FOR PARTICIPATION IN THE WAGE SUBSIDY VARIATION EXPERIMENT	37
9	PERCENTAGE DISTRIBUTION OF REASONS FOR NON-PARTICIPATION IN THE WAGE SUBSIDY VARIATION EXPERIMENT	39
10	REGRESSION-ADJUSTED PARTICIPATION RATES OF A SAMPLE OF PRIVATE SECTOR EMPLOYERS APPROACHED FOR THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SELECTED EMPLOYER CHARACTERISTICS	41
11	PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS INTERVIEWED IN MAY 1980, BY SIZE OF FIRM	47
12	PERCENT OF PRIVATE SECTOR WORK SPONSORS INTERVIEWED IN MAY 1980 WHO PERCEIVED DISADVANTAGES TO PARTICIPATION IN ENTITLEMENT, BY TYPE OF DISADVANTAGES REPORTED	49

TABLE PAGE

13 DISTRIBUTION OF PRIVATE WORK SPONSORS BY WHETHER THEY REQUESTED AND RECEIVED YOUTHS WITH PARTICULAR QUALIFICATIONS 51

14 DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS BY REPORTED FREQUENCY OF CONTACTS AND ISSUES DISCUSSED WITH PROGRAM COUNSELORS 53

15 PERCENT OF PRIVATE SECTOR WORK SPONSORS WHO REPORTED COUNSELORS TO BE PARTICULARLY HELPFUL OR UNHELPFUL, AND PERCENT WHO IDENTIFIED SPECIFIC ISSUES ON WHICH COUNSELORS WERE HELPFUL OR UNHELPFUL 54

16 PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS, BY SPONSORS' REPORTS OF SATISFACTION WITH ENTITLEMENT YOUTH ASSIGNED TO THEM 56

17 PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS, BY LENGTH OF EMPLOYMENT OF THE YOUTH WITH LONGEST TENURE 58

18 PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS BY WHETHER THEY HAD HIRED OR INTENDED TO HIRE ENTITLEMENT YOUTHS ON THEIR OWN PAYROLL 60

19 PERCENTAGE DISTRIBUTION OF RECENTLY ASSIGNED YOUTHS, BY EMPLOYMENT STATUS IN MAY 1980 62

20 REGRESSION-ADJUSTED RETENTION RATES OF A SAMPLE OF PRIVATE SECTOR WORK SPONSORS BY SELECTED WORK SPONSOR CHARACTERISTICS 65

21 PERCENTAGE DISTRIBUTION OF RATINGS OF WORKSITE QUALITY FOR A SAMPLE OF WORK SPONSORS ACTIVE BETWEEN SEPTEMBER 1978 AND NOVEMBER 1979, BY SECTOR OF WORK SPONSOR 72

A-1 PARTICIPATION RATE OF PRIVATE SECTOR EMPLOYERS IN THE WAGE SUBSIDY VARIATION EXPERIMENT BY SITE AND SUBSIDY LEVEL 86

A-2 CALCULATION OF WEIGHTS APPLIED TO WAGE SUBSIDY VARIATION SURVEY DATA FOR USE IN PROJECTING OUTCOMES OF THE WAGE SUBSIDY VARIATION EXPERIMENT 88

TABLE PAGE

A-3 PERCENTAGE DISTRIBUTION OF ALL PRIVATE EMPLOYERS IN BALTIMORE AND DETROIT THAT PAID SOCIAL SECURITY TAXES IN 1978, AND OF A SAMPLE OF THE PRIVATE EMPLOYERS IN THOSE CITIES THAT WERE CONTACTED IN THE WAGE SUBSIDY VARIATION EXPERIMENT BY NUMBER OF EMPLOYEES AND INDUSTRIAL TYPE 90

A-4 PERCENTAGE DISTRIBUTION OF REASONS FOR PARTICIPATION OR PERCEIVED ADVANTAGES OF PARTICIPATION REPORTED BY THREE SAMPLES OF PRIVATE SECTOR WORK SPONSORS, BY PERCENT OF SPONSORS REPORTING EACH REASON/ADVANTAGE 92

A-5 PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR EMPLOYERS CONTACTED FOR THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SELECTED EMPLOYER CHARACTERISTICS 93

A-6 COEFFICIENTS OF A REGRESSION MODEL ESTIMATING THE IMPACT OF THE SUBSIDY LEVEL AND EMPLOYER CHARACTERISTICS ON PARTICIPATION DURING THE WAGE SUBSIDY VARIATION EXPERIMENT 95

A-7 PARTICIPATION RATES AT EACH SUBSIDY LEVEL ESTIMATED BY JOB CONTACT RECORD CARDS AND BY REGRESSION 96

A-8 COEFFICIENTS OF THREE REGRESSION MODELS ESTIMATING THE IMPACT OF SUBSIDY LEVEL AND EMPLOYER CHARACTERISTICS ON PARTICIPATION DURING THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SITE 100

B-1 DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS ACTIVE IN SEPTEMBER 1979, AND INTERVIEWED IN MAY 1980, BY SITE 104

B-2 PROCEDURES ESTABLISHED BY TIER I PROGRAM OPERATORS TO REDUCE THE LEVEL OF WAGE SUBSIDY FOR YOUTH ASSIGNED TO PRIVATE SECTOR WORK SPONSORS 106

B-3 PROCEDURES ESTABLISHED BY TIER II PROGRAM OPERATORS TO REDUCE THE LEVEL OF WAGE SUBSIDY FOR YOUTH ASSIGNED TO PRIVATE SECTOR WORK SPONSORS 107

B-4 COEFFICIENTS FOR A LINEAR REGRESSION MODEL ESTIMATING THE IMPACT OF WORK SPONSOR CHARACTERISTICS, EMPOYER EXPERIENCES, AND PRIME SPONSOR CHARACTERISTICS ON WORK SPONSOR RETENTION 108

TABLE PAGE

B-5 WORK SPONSOR RETENTION BY SITE AND FOR SITES USING INTERMEDIARIES AND OTHER STRATEGIES 111

B-6 COEFFICIENTS FOR A LOGISTIC REGRESSION MODEL ESTIMATING THE IMPACT OF WORK SPONSOR CHARACTERISTICS, EMPLOYER EXPERIENCES, AND PRIME SPONSOR CHARACTERISTICS ON WORK SPONSOR RETENTION 113

B-7 COEFFICIENTS FOR TWO LINEAR REGRESSION MODELS ESTIMATING THE IMPACT OF WORK SPONSOR CHARACTERISTICS AND PRIME SPONSOR CHARACTERISTICS ON WORK SPONSOR RETENTION 115

B-8 UNADJUSTED AND ADJUSTED DIFFERENCES BETWEEN PROGRAMS IN PRIVATE SECTOR WORK RETENTION, BY SITE GROUPS 116

C-1 ORGANIZATION OF THE QUALITY OF WORK FIELD INSTRUMENT BY MAJOR WORK QUALITY FACTORS AND SUB-FACTORS ASSESSED BY FIELD ASSOCIATES 121

C-2 DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS AND INDIVIDUAL ENTITLEMENT YOUTHS BY DISPLACEMENT RATE ASSOCIATED WITH EACH SPONSOR OR YOUTH 126

C-3 COEFFICIENTS FOR A REGRESSION MODEL ESTIMATING THE IMPACT OF WORKSITE QUALITY, EMPLOYER CHARACTERISTICS, AND EMPLOYER MOTIVATIONS ON DISPLACEMENT 129

CHART

B-1 RELATIONSHIP BETWEEN PRIVATE SECTOR WORK SPONSOR RETENTION AND PROPORTION OF PROGRAM WORKSITES IN THE PRIVATE SECTOR, AS ESTIMATED BY REGRESSION 110

Chapter 1

INTRODUCTION

Congressional enactment of the Youth Employment and Demonstration Projects Act (YEDPA) in August 1977 marked the beginning of a major national effort to test several approaches to attack the severe problems of youth employment and educational attainment. One of the largest programs under the act was the Youth Incentive Entitlement Pilot Projects, or the Entitlement demonstration. The development, oversight, and research of the demonstration were directed by the Manpower Demonstration Research Corporation (MDRC) under the overall supervision and policy direction of the U.S. Department of Labor.

The demonstration was established in an attempt to determine if a guaranteed minimum-wage work experience, combined with a school requirement, would enhance the future education, employability and earnings of disadvantaged youths. Work was provided on a year-round basis (full-time in the summer, part-time during the school year) to all 16-19 year-old low-income youths in specific geographic areas on the condition that these youths remain in, or return to, school and that they make satisfactory progress toward a high school diploma or its equivalent.

The Entitlement demonstration operated from March 1978 through August 1980 as the responsibility of 17 local and state government prime sponsors, established under the Comprehensive Employment and Training Act (CETA) of 1973. Nearly 76,000 youths were enrolled and asssigned to jobs during this period in target areas that encompassed all or part of the prime sponsor jurisdictions, as summarized in Table 1. Seven of the projects, called Tier I sites, were authorized to serve large numbers

Table 1

DESCRIPTION OF ENTITLEMENT AREAS AND CUMULATIVE NUMBER OF ASSIGNED YOUTH IN THE YOUTH ENTITLEMENT DEMONSTRATION THROUGH AUGUST 1980, BY SITE

Demonstration Site	Entitlement Area	Cumulative Number of Youth Assigned[a]
Tier I		
Baltimore	Four complete high school districts and part of a fifth	16,890
Boston	Four school districts; parts of seven others	9,780
Cincinnatti	Entire city	5,160
Denver	Entire city	3,480
Detroit	Five school districts	12,260
King-Snohomish	King and Snohomish counties including the city of Seattle	6,580
Mississippi	Nineteen rural counties located in a belt across the state	12,960
Total Tier I		67,110
Tier II		
Alachua County	Two school districts encompassing urban and rural areas in Florida	480
Albuquerque	One school district	1,560
Berkeley	Entire city	1,250
Dayton	One census tract	340
Hillsborough	Entire city of Nashua, New Hampshire	330
Monterey	One school district is in a predominantly rural area of California	620
New York	Part of one school district in Brooklyn	1,520
Philadelphia	One census tract in North Philadelphia	680
Steuben County	Seven school districts in rural Steuben County, New York	350
Syracuse	Entire city	1,700
Total Tier II		8,830
Total Demonstration		75,940

SOURCE: Original Entitlement proposals and tabulations of Monthly Performance Report data from the Entitlement Information System.

NOTES: This table shows the original Entitlement areas, which were somewhat expanded in late 1979 in Detroit, Baltimore, and seven Tier II sites. Cumulative numbers of youths assigned include youths in the original and expansion areas.

[a] An assigned youth is a youth who has been paid wages on the Entitlement payroll. Numbers have been rounded to the nearest ten.

of youths by entitling all eligible youths in an entire central city (Cincinnati, Denver, Washington's King and Snohomish Counties, including Seattle), partial city poverty neighborhoods (Baltimore, Boston, Detroit), and a 19-county area in southern Mississippi. Ten smaller projects, called Tier II sites, entitled all eligible youths in smaller cities, rural or semi-rural counties, or school-district-sized areas.[1]

Demonstration prime sponsors faced two primary and complementary tasks. They first had to inform eligible youths in the demonstration target areas of their entitlement to participate in the program and then be prepared to enroll those who wanted to take part. Second, to make good on the entitlement offer, they had to locate and recruit employers to serve as work sponsors for the participants. The Entitlement legislation (Title II, subpart 1 of YEDPA) facilitated this job development mandate by authorizing the prime sponsors to recruit potential work sponsors from all sectors of their local economies, including the private-for-profit business sector.

Entitlement was thus the first major opportunity for manpower operators to elicit the participation of private businesses in a youth employment program. While there had been some on-the-job training arrangements previously -- with limited results, as discussed in Chapter 2 -- very little liaison had been established with the private sector in youth programs. There were scattered small-scale efforts to involve the private sector -- including educational cooperative work-study, the traditional vocational education programs, and work sampling projects such as the Vocational Exploration Program -- but wage-paying work experience was almost completely confined to public and nonprofit agencies. Entitlement's potential scale, and its provision for subsidizing up to 100 percent of the participants' wages marked a major departure from these relatively small ventures and from the traditional pattern of providing work experience.

---

[1] The 17 prime sponsors were authorized to continue operations in fiscal year 1981, following the conclusion of the demonstration, on a fixed-slot (non-entitlement) basis, at a level proportionate to their enrollment during the demonstration period.

The large-scale efforts by several of the demonstration prime sponsors to work with private businesses, therefore, offer the opportunity to explore not only the role of the private sector in Entitlement, but also to examine the lessons which the demonstration may provide to other employment and training initiatives for youths.[1] During the past few years, there has been a growing interest among policymakers in expanding private sector involvement with employment and training programs, as evidenced by the 1978 amendments to CETA, which created the Private Sector Initiatives Program; in hearings and reports of the Vice President's Task Force on Youth Employment; through the ongoing Work-Education Councils sponsored by the National Institute for Work and Learning; and as seen in several smaller demonstrations under YEDPA sponsored by organizations such as the Corporation for Public/ Private Ventures and Youthwork, Incorporated. (See Wirtz, et al., 1975;

---

[1] Other research being conducted on the Entitlement program includes: the evaluation of participation rates of eligible youths, and program impacts on education and employment; assessment of program implementation; and the quality of work experience provided to youths. These are listed at the end of this report.

Corporation for Public/Private Ventures, 1980; Vice President's Task Force on Youth Employment, 1980.) The experiences of prime sponsors and participating businesses with Entitlement jobs add to the knowledge in this area and may therefore be of some wider policy interest.

The Program Model and Conditions Affecting Private Sector Work Sponsors

The YEDPA legislation and subsequent program regulations set forth several conditions on the jobs developed for Entitlement participants. Work experience positions were not to be "make-work," but were to provide youths with "opportunities to learn and earn that will lead to meaningful employment opportunities after they have completed the program." Work experience positions should lead to a net creation of new job opportunities and not result in the displacement of work opportunities for others. Entitlement participants should be assigned to positions which permit them to work an average of no less than 10 and no more 20 hours per week during the school year, and from 30 to 40 hours per week in the summer. Youths were to be paid at the minimum wage, except that prime sponsors could seek authorization to create positions at prevailing wage rates. Wages for youths assigned to private businesses could be subsidized at up to 100 percent.

During the period of competition for Entitlement grants, in which over 150 CETA prime sponsors applied, all of the 34 sponsors selected for the final round of competition were required to submit enough job slot commitments from potential work sponsors to ensure a work experience for all of the eligible youths that the prime sponsor expected would participate. Guidelines for the final applications specified that if a prime sponsor offered private businesses a full wage subsidy for sponsoring youths, the prime sponsor must also submit a plan for subsequently reducing the level of the private sector subsidy over time. Under the tight time pressures of the final application round (the last two months of 1977), all prime sponsors, but one, that approached businesses made an initial offer of 100 percent subsidy. The exception was the state of Mississippi, which decided to subsidize 75 percent of the minimum wage in its 19-county Entitlement area.[1]

To ensure the ability to measure program costs and program participation rates in the impact evaluation and to provide for greater fiscal control and simplified payroll procedures, program regulations specified that all participant wages be paid from a central payroll, operated under the direction of the Entitlement prime sponsors. Thus, potential work sponsors would not be required to put participants on their own payroll, to withhold taxes, or to include participants in their regular fringe benefit packages.

Participating youths were entitled to work experience as long as they maintained program eligibility; that is, until they turned 20 years old, moved from the program target area, crossed the family poverty income line, completed high school or earned an equivalency degree. Conditions of continuing eligibility also included satisfactory progress toward a high school or General Equivalency (GED) diploma, adherence to minimum school attendance and performance standards set by prime sponsors, and satisfactory performance at the work experience positions. Work sponsors would not have the authority to terminate a youth's entitlement, but could request that youths be transferred from their employment. Prime sponsors retained the authority to terminate youths from the program for unsatisfactory behavior at the worksite. Where youths were to be assigned to a union shop, the prime sponsor was required to consult with the union to ensure that participant jobs were structured so as not to duplicate job positions of the regular work force.

---

[1] Four of the 17 sponsors finally selected to operate an Entitlement program initially proposed to assign less than 5 percent of their enrollees in the private sector. The rest proposed private sector slot levels ranging from 10 to 80 percent. (Ball, et al., 1979: 103).

From the vantage point of private businesses in the 17 communities, demonstration job developers appeared to have had a relatively attractive bargain to offer. Subsidized at the full minimum wage cost, a youth working 10-20 hours per week in the school year and 30-40 hours a week in the summer would have brought more than $2,500 in subsidized wages to a private employer at the 1980 minimum wage. The business had to be prepared, in turn, to offer a "meaningful" work experience to economically disadvantaged youths, one which would not displace others, and to structure the jobs for part-time work from September through May and for full-time work in the summer. The business, however, would incur no participant wage costs and have relatively little paperwork; the firm had only to record youths' time and attendance. Program staff were available to pick up time and attendance records and to discuss problems at the worksite.

The agreement to sponsor youths was not without some potential difficulties, however. If the firm later agreed to a partial subsidy, it would have to reimburse the prime sponsor for its share of the wages paid from the Entitlement payroll. Furthermore, supervising high school youths, many with no prior work experience, could be a challenge, and the employers would have to assume the cost of supervision. Even at full subsidy, employers were not provided with entirely "free" labor.

Organization and Data Sources of the Report

How prime sponsors recruited private businesses, the response of businesses to the offer of subsidized jobs, and the experiences of private employers and participants are the subjects of this report. Taken together, an assessment of all three may offer some indications about the utility of subsidizing a private sector contribution to youth employment strategy. The report addresses several major questions:

- Prime Sponsor Recruitment Efforts

  What strategies did prime sponsors develop to recruit private employers as work sponsors? To what extent did they request the cooperation of business intermediary groups, and what roles did those groups play?.

- Types of Firms Participating and Jobs Provided

  How many businesses participated as work sponsors? What kinds of businesses? What kinds of jobs did they provide to Entitlement participants?

- Rates of Business Participation and Sensitivity to Subsidy Level

  What proportion of businesses approached agreed to participate? To what extent did the level of wage subsidy contribute to the decision whether to participate? What reasons did businesses give for their decision to participate, or to decline participation? To what extent did firms indicate that their reluctance to participate was influenced by concern about red-tape and bureaucratic tangles with local governments?

- Patterns of Business Participation and Levels of Satisfaction

  How many youths did the average firm sponsor? How stable was youth tenure with private sector sponsors? How satisfied were businesses with the experience of work sponsorship? Did any subsequently hire participants on their own payrolls, without a wage subsidy? What were the retention and the "quit" rates of private sector work sponsors, and what factors influenced their decision to remain active or to cease participation?

- Quality of Work Experiences Provided and Relationship to Displacement

  Did private sector work sponsors provide distinctively better work experience than public and nonprofit agencies and was there less tendency to provide "make-work" jobs? To the extent that jobs were not "make-work," was there any countervailing tendency to displace other workers by sponsoring Entitlement participants?

- Value of the Private Sector for a Youth Job Guarantee

  In what ways did the opportunity to recruit businesses contribute to the ability of prime sponsors to provide guaranteed employment for participants?

The study addresses these issues with data from four principal sources, each of which is the major source for one of the four chapters in the report. Information on prime sponsor expectations about private sector participation and on their strategies for recruiting and serving business work sponsors is drawn primarily from field interviewing that was conducted throughout the course of the demonstration by MDRC research associates and program field monitors, as well as consultants to MDRC. These individuals reported periodically upon job development, job assignment, and work sponsor liaison activities at each of the 17 demonstration sites. Their field reports form the basis for discussion of job development in two previously published reports on program implementation (Ball, et al., 1979; Diaz, et al., 1980), which in turn are summarized in Chapter 2 of this report.

Estimation of the response of private businesses to different levels of wage subsidies, the subject of the third chapter, is based upon findings from a wage subsidy variation experiment. The experiment, in which program job developers approached private employers who were systematically chosen to be offered one of three wage subsidy levels (100, 75, and 50 percent of the youths' hourly minimum wage), was conducted at the Baltimore and Detroit sites during the first half of 1980. Telephone interviews with a random sample of 311 of these businesses were conducted in August 1980.

Chapter 4 of the report discusses the experiences of private employers who had sponsored youths during the final school-year of the demonstration, 1979-1980. A random sample of 513 employers at the 12 sites that had recruited appreciable numbers of private sector sponsors was interviewed by telephone during the spring of 1980. Information about the quality of the work experience in the private sector, and about the relationship between levels of displacement and worksite quality, discussed in the final chapter, is based upon field visits with a random sample of private sector sponsors conducted by MDRC field monitors and consultants during the summer and fall of 1979. A much more detailed analysis of worksite quality has been reported in an earlier volume in the MDRC series on program implementation (Ball, et al., 1980).

Chapter 2

PRIME SPONSOR STRATEGIES IN RECRUITING PRIVATE EMPLOYERS

In developing work experience opportunities for youths, CETA prime sponsors in the 1970s usually had an established base of public and nonprofit agencies that they approached every year for the Summer Youth Employment program and other projects they operated during the school year. These agencies also became the mainstay for the Entitlement program. Job development, for most Entitlement prime sponsors, was not a matter of starting cold, but of contacting local agencies about the Entitlement project, describing it as similar to the summer youth program, only on a year-round basis, and asking how many youths the agencies could reasonably sponsor while providing a suitable work experience.

Thirteen of the 17 Entitlement sponsors, in their final applications submitted in 1977, solicited over half of their job slots from the traditional pool of public and nonprofit sponsors (Ball, et al., 1979: 103). In fact, their ability to develop sufficient commitments to meet their expected enrollment, especially during the short final application period, was dependent upon their previous working relationships with those agencies. High-level support, in the form of a directive from the mayor's office to public agency heads, greatly facilitated the process at several sites.

Approaching private businesses, however, meant breaking new ground for many of the Entitlement sponsors. While the CETA legislation had previously authorized on-the-job training arrangements in the private sector, few prime sponsors had tapped private businesses to any significant degree. On a nation-wide basis, in fiscal years 1975-77, CETA prime sponsors had assigned fewer than 9 percent of all their enrollees, and spent less than 10 percent of their training funds in OJT contracts.[1] Furthermore, the last major effort to enlist the cooperation of the private sector had preceded CETA -- the Job Opportunities in the Business Sector (JOBS) program, established during the final year of the Johnson administration. Launched with characteristic Great Society enthusiasm by the White House and the newly formed National Alliance of Business (NAB), the program aimed to develop thousands of on-the-job training positions for economically disadvantaged adults. While large numbers were trained, evaluations of the program found that its scale often exceeded the implementation capability of the federal government and local NAB affiliates, and complex contracting procedures, generating large amounts of paperwork and reporting, had frustrated many participating businesses. (See, for example, Kobrak, 1973.)

Thus, with relatively little prior contact in the private sector, and with apprehension among senior manpower professionals who remembered the pre-CETA experience, Entitlement sponsors approached the private sector with a mixture of enthusiasm and trepidation. Some prime sponsors did not regard the private sector option as particularly useful or necessary to meet the job guarantee mandate. All but one of those that did plan to develop private employer commitments felt it necessary to offer the maximum authorized full 100 percent wage subsidy. Furthermore,

---

[1] Source: CETA Quarterly Progress Reports, Employment and Training Administration, U.S. Department of Labor.

Entitlement sponsors were generally slow to follow up with the required subsidy reduction plans for fear that businesses, having originally been offered the 100 percent subsidy, would be unwilling to lower the subsidy. Consequently, MDRC and the Department of Labor in 1978 issued a mandated plan which all Entitlement sponsors would have to follow unless they submitted an acceptable alternative. The rationale for this requirement was primarily that, while the Entitlement legislation permitted as much as 100 percent subsidy, previous OJT programs had generally imposed a ceiling of a 50 percent subsidy, which was meant to offset the lost productivity that an employer would incur while training an enrollee.

The basic plan required that any private sector sponsor who, on or after January 1979, had sponsored any youth for 12 months would be asked to assume 50 percent of the youth's wage cost. If not, the youth would be reassigned to another sponsor and the employer would lose the job slot for any future assignment of Entitlement youths.[1] Entitlement sponsors, with varying degrees of diligence and accuracy in their job assignment records, began active enforcement of the subsidy reduction requirement in late 1979 and early 1980.

It should be reiterated that, although most Entitlement staffs envisioned the recruitment of private employers to be a new and potentially difficult business, expecting little private sector enthusiasm for involvement with a government program, the bargain which they had to sell to firms was probably the most attractive that could be offered. There was a full wage subsidy at the outset and a prime-sponsor managed payroll. In the anticipation that private businesses might still be reluctant to come forward in large numbers, however, those prime sponsors which chose to approach the private sector took special care to develop a private business recruitment strategy.

---

[1] As discussed in Chapter 1, the Mississippi program agreed to offer a 75 percent wage subsidy from the outset. The subsidy reduction arrangements under which the other Entitlement sponsors began to operate in 1979 are listed in Appendix B.

Various strategies were used. In Detroit, letters were sent to private businesses over the mayor's signature, inviting their partnership in the Entitlement endeavor. In Denver, the local affiliate of the National Alliance of Business was contracted to approach employers, develop job openings, and screen youths for assignment to private firms. The Cincinnati prime sponsor, although not placing as strong a priority on private sector involvement, subcontracted with the Chamber of Commerce to handle private sector job development and youth referrals. The Hillsborough County, New Hampshire prime sponsor made a similar arrangement with its Chamber of Commerce and received Department of Labor authorization to develop job openings in higher than minimum wage positions, with an emphasis on the expanding manufacturing sector in southern New Hampshire. In Philadelphia, a local business-labor organization approached local businesses, including a fairly large share of small manufacturing firms.

Other Entitlement sponsors also made a strong initial recruiting effort in the private sector, but chose to do so directly, without the assistance of a business intermediary group. Monterey County, California approached small retail and service establishments in the Entitlement area towns of Gonzales and Soledad and the nearby city of Salinas. The

Baltimore prime sponsor consulted with a local CETA-business advisory group to obtain listings of firms, then established a special private sector job development and liaison group within its Entitlement and youth programs division.

The results of the initial job development efforts to recruit private sector and public or nonprofit sponsors are summarized in Table 2. During the starting months through August 1978, eight of the prime sponsors recruited more private businesses than public and nonprofit agencies, although in terms of all sponsors recruited, nearly two-thirds were in the government and nonprofit sectors.

As the demonstration developed during the first and second full school years, 1978-79 and 1979-80, the programs with a strong initial priority on the private sector continued to recruit more than half of their work sponsors from the private sector. Other prime sponsors began to place greater emphasis on recruiting private businesses later in the demonstration period. Program staffs from the several program agents in King and Snohomish counties, for example, had not initially seen any great necessity to expand job development efforts beyond the well-established arrangements with public and nonprofit agencies. As the demonstration aged, however, not only did program staffs find that there was enough program stability to launch a private sector recruiting effort, but also that the pool of available public and nonprofit agencies was diminishing. During the final school year, 1979-80, King-Snohomish staffs recruited more new private businesses than sponsors from the other sectors.

This delayed private sector recruitment was even more pronounced in

Table 2

DISTRIBUTION OF WORK SPONSORS BECOMING ACTIVE FOR THE FIRST TIME DURING SELECTED TIME PERIODS, BY SECTOR OF WORK SPONSOR AND SITE

Site	February 1978 - August 1978		September 1978 - August 1979		September 1979 - August 1980		Total Through August 1980	
	Private Sector	Other Sectors	Private Sector	Other Sectors	Private Sector	Other Sectors	Private Sector	Other Sectors
Tier I								
Baltimore	186	183	266	98	251	111	703	392
Boston	188	366	264	224	239	110	691	700
Cincinnati	68	370	117	149	75	54	260	573
Denver	314	251	177	84	24	15	515	350
Detroit	277	222	383	179	509	283	1,169	684
King-Snohomish	19	434	156	184	356	97	531	715
Mississippi	100	446	694	99	335	74	1,129	619
Total Tier I	1,152	2,272	2,057	1,017	1,789	744	4,998	4,033
Tier II								
Alachua County	18	12	1	5	7	10	26	27
Albuquerque	0	16	0	9	27	32	27	57
Berkeley	7	84	3	38	18	34	28	156
Dayton	1	9	3	7	1	14	5	30
Hillsborough	35	22	32	7	44	11	111	40
Monterey	74	26	27	12	116	55	217	93
New York	59	30	102	40	62	109	223	179
Philadelphia	57	23	28	11	112	52	197	86
Steuben County	0	4	0	5	0	13	0	22
Syracuse	78	94	22	20	27	16	127	130
Total Tier II	329	320	218	154	414	346	961	820
Total Demonstration	1,481	2,592	2,275	1,171	2,203	1,090	5,959	4,853

SOURCE: Monthly Performance Report data from the Entitlement Information System.

NOTES: "Active For the First Time" refers to the first month during which a youth was assigned to a work sponsor and was paid. Not all sites began assigning youth by February 1978.

the 19-county Mississippi Entitlement area. The program began in the summer of 1978,and by late in the year, a large number of youth enrollees did not have job assignments. The local job developers indicated, and program monitoring generally verified, that the relatively small public sector in many of the more rural counties had reached capacity in the numbers of youths they could employ. The private sector was the only target of opportunity available, and as Table 2 indicates, in the 1978-79 and 1979-80 school years, Mississippi job developers recruited seven times as many private businesses as new public agencies.

Prime sponsor staffs utilized several rules of thumb in identifying and approaching private businesses. It was important to locate businesses which were fairly accessible to enrollees, who were eligible to work 10-20 hours per week after school during the academic year. One problem that some prime sponsors encountered (Baltimore and Denver, particularly) was that initial solicitations produced interested employers outside the central city, whose distance from the Entitlement area did not allow youths adequate working time to meet the 10-hour weekly minimum guarantee after school. The Monterey program staff, who wanted to develop jobs in Salinas, 15 miles from the Entitlement area, arranged a bus service after school and into the early evening. Generally speaking, however, Entitlement prime sponsors sought to develop jobs close to enrollees' homes and schools, and small businesses in the Entitlement neighborhoods proved to be a useful resource.

Entitlement job developers stayed away from some businesses as inappropriate workplace for youths, excluding bars, liquor stores, massage parlors, adult book stores and the like. In addition, during the early months, job developers found that certain kinds of firms seemed particularly difficult to recruit. Large manufacturing firms -- for reasons that included the multiple bureaucratic clearances necessary to reach a worksite agreement, employer concern about upsetting the unions, child labor laws prohibiting certain kinds of work, difficulty in scheduling part-time jobs for youths, or geographic inaccessibility -- were judged by many prime sponsors to take more staff time to develop than seemed affordable, given the large numbers of youths for whom jobs had to be found. It was not an insurmountable problem to develop some manufacturing jobs, however, particularly in smaller firms. Both the Hillsborough and Philadelphia programs in Tier II demonstrated this.

Thus, for reasons of neighborhood accessibility, sheer numbers of available employers, and lack of bureaucratic clearance, job developers generally found it more fruitful to recruit relatively small businesses and service establishments. Two surveys of random samples of private employers -- those active in the demonstration in the 1979-80 school year, and those contacted for the wage subsidy variation experiment (see Chapters 3 and 4) -- revealed fairly consistently that about 40 percent of the businesses approached or recruited had fewer than five full-time employees (counting two part-time employees as one full-time equivalent), and two-thirds had fewer than ten full-time workers.

Businesses that served as work sponsors typically took only one or two youths at a time, reflecting their small size. This compares with public and nonprofit agency work sponsors that more typically took twice as many youths. Half the private sector work sponsors in July 1979, for example, had only one youth assigned, while half the public and nonprofit agencies had two youths. Reflecting the weight of those sponsors who employed larger numbers, the average private sponsor had two youths, whereas the average nonprofit or public agency had three to five youths. (Diaz, et al., 1980: 126.)

Table 3 displays the cumulative number of for-profit employees recruited by Entitlement prime sponsors and the proportion of enrollee job hours worked in the private sector. Some 55 percent of all work sponsors were from the for-profit sector, but since they typically accepted fewer youths, they accounted for only one-fifth of all youth job hours during the demonstration period.

The industrial distribution of the private sector sponsors recruited during the demonstration is given in Table 4. The retail trade and services emphasis of prime sponsor recruitment is clear, with nearly half of all the private work sponsors in retail businesses and over one-fourth in the category of service establishments. The occupational distribution of youth job hours in the private sector reflects the industries to which youths were assigned and the relatively low-skill jobs which employers assigned them. Two-thirds of the private sector job hours were in clerical, food service, sales and building maintenance-type jobs, as shown in Table 5.

In working with the private sector, many prime sponsors initially expressed concern that private sponsors should be accorded some degree of special consideration, for there was a widespread belief that private employers were likely to be less tolerant of administrative foul-ups. Several programs used intermediary organizations, as they did in recruitment, to interview and screen youths and make a match with employer

Table 3

DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS AND HOURS WORKED IN THE PRIVATE SECTOR, THROUGH AUGUST 1980, BY SITE

	Private Sector Work Sponsors		Private Sector Hours	
Site	Cumulative Private Sector Sponsors	Percent Private Sector Of All Sponsors	Cumulative Private Sector Hours[a]	Percent Private Sector Of All Hours
Tier I:				
Baltimore	703	64.2	1,530,400	14.3
Boston	691	49.7	1,521,200	20.5
Cincinnati	260	31.2	418,200	14.0
Denver	515	59.5	601,400	28.0
Detroit	1169	63.1	2,206,500	40.0
King-Snohomish	531	42.6	249,500	8.4
Mississippi	1129	64.6	1,097,200	12.6
Total Tier I	4998	55.3	7,624,500	18.8
Tier II:				
Alachua County	26	49.1	14,400	5.6
Albuquerque	27	32.1	7,000	1.1
Berkeley	28	14.9	21,300	2.6
Dayton	5	14.3	2,900	1.8
Hillsborough	111	73.5	124,000	63.3
Monterey	217	70.0	180,500	63.3
New York	223	54.1	276,700	35.8
Philadelphia	197	69.6	186,600	55.9
Syracuse	127	49.4	187,600	24.6
Total Tier II	961	54.0	1,000,900	22.9
Total Demonstration	5959	55.1	8,625,400	19.2

SOURCE: Monthly Performance Report data from Entitlement Information System.

NOTES: Steuben County had no private-for-profit activity and is not shown in table. Total job hours and sponsors from this site do, however, contribute to the Total Tier II and Total Demonstration percentages shown.

[a] Job hours have been rounded to the nearest hundred.

Table 4

PERCENTAGE DISTRIBUTION OF ACTIVE PRIVATE SECTOR WORK SPONSORS THROUGH AUGUST 1980, BY TIER AND INDUSTRY TYPE

Industry Type[a]	Tier I	Tier II	Total Demonstration
Agriculture/Forestry/Fishing	3.6	0.6	3.1
Mining/Construction	2.9	2.4	2.9
Manufacturing	9.1	13.7	9.8
Transportation/Communications/ Utilities	1.9	2.6	2.0
Trade			
Wholesale Trade	2.3	1.7	2.2
Building Materials/Hardware	1.8	1.5	1.7
General Merchandise	3.3	4.1	3.5
Food Stores	8.6	6.7	8.3
Auto Service Stations	5.6	3.0	5.2
Apparel/Accessories	5.1	7.9	5.5
Furniture	2.4	3.4	2.6
Eating Places	10.5	6.8	9.9
Miscellaneous	7.6	12.7	8.4
Total Trade	47.1	47.9	47.3
Finance/Insurance/Real Estate	5.6	6.0	5.6
Services			
Lodgings	0.9	0.7	0.9
Personal Services	4.6	2.5	4.2
Business Services	4.7	2.5	4.3
Automotive Repair	5.6	7.0	5.9
Miscellaneous Repair	1.6	2.6	1.8
Amusements/Recreation/Motion Pictures	1.4	2.2	1.5
Health Services	3.3	3.8	3.4
Legal Services	1.7	1.3	1.7
Educational Services	0.4	0.2	0.4
Social Services	2.7	1.3	2.7
Miscellaneous Services	2.1	2.6	2.2
Total Services	29.3	26.8	28.9
Unknown	0.4	0.1	0.4
Total	100.0	100.0	100.0

SOURCE: Monthly Progress Report data from the Entitlement Information System.

NOTES: Percents may not sum to 100 due to rounding.

[a] Industrial categories are based on the divisional groupings of the Standard Industrial Classification Manual (SIC), published by the Executive Office of the President, Office of Management and Budget, in 1972.

Table 5

PERCENTAGE DISTRIBUTION OF HOURS WORKED IN THE PRIVATE SECTOR THROUGH AUGUST 1980, BY TIER AND OCCUPATIONAL CATEGORY

Occupational Categories	Percentage Distribution By Tier		
	Tier I	Tier II	Total Demonstration
Clerical	33.1	36.6	33.5
Food Service	14.6	4.7	13.5
Building construction, maintenance, repair	13.2	6.7	12.4
Sales	8.6	16.6	9.6
Auto mechanic, service station attendant	5.2	6.4	5.4
Care of children, and the elderly	3.4	1.8	3.2
Warehousing, material handling	2.6	5.6	2.9
Medical assistant	2.8	2.6	2.7
Community workers, recreational aides	2.8	0.5	2.5
Other	13.6	18.5	14.3
Total	100.0	100.0	100.0

SOURCE: Monthly Performance Report data from the Entitlement Information System.

NOTES: Occupational categories were derived from groupings of similar jobs as defined by 3-digit codes from the Dictionary of Occupational Titles, Fourth Edition, published by the U.S. Department of Labor, Employment and Training Administration, in 1977.

needs in the hope that they could clarify communications and smooth the liaison with businesses. The King-Snohomish program agents, as another example, sought to implement a policy of only referring older youths and high school seniors to private businesses, or youths who had displayed good work habits and work motivation on public/ nonprofit worksites. The Boston program initially attempted to establish an elaborate job-matching process for enrollees. During the course of program implementation, however, the press of numbers at the large programs made it difficult for prime sponsors to maintain special job assignment and program liaison procedures for private employers. Except perhaps where intermediary organizations played a role, prime sponsor usually found they did not have the luxury of enough time or staff to treat private businesses much differently from public and nonprofit sponsors.

Entitlement prime sponsors succeeded in signing up nearly 6,000 businesses, as Table 3 has shown. This is evidence of a large job development effort, especially since all but one of the Tier I projects recruited over 500 businesses each. After recruiting businesses, an intensive program staff liaison operation was necessary to assign youths, collect time sheets from employers, consult with employers about problems with youths on the worksite, and to process employer requests for youths to replace those who had not worked out with the employer.

The magnitude of private sector activity is especially noteworthy since prime sponsors had to develop these work experience opportunities de novo, without the previous working relationships that they had established in the other sectors, and without the kind of top-level assistance which mayors could provide in lining up public agency cooperation.

In the larger Tier I communities, where thousands of youths agreed to the school-for-work bargain, many staffs agreed that the private sector option greatly facilitated the delivery on that bargain, given the fixed and relatively small capacity of the public and not-for-profit sectors. Without the opportunity to develop jobs made possible by the private sector authorization, many staffs believed that the public and nonprofit agencies would have been overloaded with too many enrollees. Other prime sponsors saw a much more positive side to this opportunity, believing that work experience in the private sector might offer youths a better chance to get hired after their program assignments. Many job developers and senior prime sponsor staffs also believed that private businesses were less prone to create "make-work" opportunities than public and nonprofit sponsors.

It should also be noted, however, that this active participation by certain private businesses did not reflect a universal agreement by every business contacted to accept the attractive offer of "free" labor. Many firms -- both large and small, manufacturing, retail and service establishments -- declined to participate. A discussion of how willing businesses were to agree to sponsor youths follows in the next chapter.

Chapter 3

THE RESPONSE OF PRIVATE BUSINESSES IN THE WAGE SUBSIDY VARIATION EXPERIMENT

The Entitlement program demonstrated clearly that prime sponsor staffs, with or without the help of business intermediaries, could effectively recruit private businesses, and that large numbers of firms would agree to participate. The demonstration also helped to dispel some myths about the unwillingness of the private sector to cooperate in a government subsidized training program, and gave prime sponsors experience in working with private businesses. That experience probably helped many of them to achieve a secondary goal: building bridges to the private sector for future program initiatives.

There were still questions left open, however, especially about the level of a subsidy to the private sector. The decision of all Entitlement sponsors but Mississippi to opt for a full wage subsidy did not reflect the kind of arrangement that has been typical in employment programs, where on-the-job training subsidies do not exceed 50 percent of wage costs. Furthermore, a policy-relevant question -- the rate of business acceptance to a subsidized wage offer -- was not addressed by the demonstration experience since prime sponsors were not required to keep employer contact records.

To examine these policy issues, particularly private sector responsiveness to different subsidy offers, the Department of Labor authorized the establishment of a special wage subsidy variation experiment during the last months of the Entitlement demonstration. At that time several Entitlement prime sponsors were allowed to expand their target areas, and the Baltimore, Detroit and New York programs agreed to vary systematically the level of wage subsidy that they offered to businesses for sponsoring youths in the expansion areas. Employer participation rates were measured, and the experiment permits some conclusions, albeit carefully qualified, to be drawn about the sensitivity of businesses to different wage subsidy levels. It also provides some indication of the non-price considerations that enter into a firm's decision whether to accept a work sponsorship role. The findings of the experiment are the subject of this chapter.

The variation was implemented somewhat differently at each site. In Detroit, program staff were to list all private employers in the expansion area until a sufficiently large number had been reached for experimental purposes. These firms were then randomly allocated to one of two lists: those who would be approached by job developers with the offer of a full wage subsidy, and those who would be contacted in the same manner, but offered a 75 percent subsidy. In Baltimore, job developers approached employers directly without previous listing and random assignment; however, all employers contacted after December 1979 and located east of a major dividing street were offered the full wage subsidy, and all located west of that street were offered a 50 percent wage subsidy. Job developers were rotated so that each approached employers on both sides of town. The plan in New York was to offer all employers in one expansion area full subsidy; all those in another area, a 75 percent subsidy; and all in a third area, a 50 percent subsidy. Each area was in a different borough of the city. This systematically varied job development in each of the Entitlement cities was to be carried out during the first five months of 1980.

Administrative delays and confusion prevented the new York variation from being launched in time for inclusion in the experiment. There were also delays, but less extensive ones, in Baltimore and Detroit. Following the conclusion of the job development effort and after the assignment of the youths to those employers who had agreed to participate, an MDRC research contractor was to interview a random sample of the firms in each city and at each of the subsidy levels. The implementation delays and the lower than expected participation rates, however, led MDRC and the research contractor to conclude that the available sample did not warrant the elaborate planned analysis.[1] Instead, MDRC staff and consultants interviewed random samples of firms in Baltimore and Detroit by telephone, using a more modest questionnaire designed to assess participation rates and employer reasons for accepting or declining work sponsorship.

Before discussing the findings -- and in particular, the participation rate findings -- it is important to set forth more fully the conditions under which the experimental job development proceeded in order to provide some context and cautionary qualifications about the generalizability of the findings to private sponsors in the Entitlement demonstration, or to private employers in other programmatic circumstances. There are some important differences between experimental conditions and job development during the 30-month demonstration.

---

[1] The original design called for a survey of 1,000 private sector employers in Detroit, with the possibility of a similar survey in Baltimore, and an analysis of the following issues: (1) participation rates of firms offered different subsidy levels, (2) characteristics of the firms and their impact on participation, (3) the number of youths employed by participating firms, and (4) the willingness of firms to continue to employ Entitlement youths after the subsidy ended. Felder, 1980, reports on the research design, implementation of the experiment, and his recommendation not to conduct the full analysis. The primary factors in his recommendation were small sample sizes and the problems of comparability of job development methods and placement of youths in participating worksites. The extension of the program after August 1980, with somewhat different operating rules, further complicated matters by making it impossible to observe the post-program behavior of participating firms.

First, when the experimental job development was conducted in early 1980, the end date had not yet been determined for demonstration funding, and hence employer participation.[1] Experimental job developers in Detroit and Baltimore were thus not in a position to offer employers assurance of subsidized wages beyond the summer of 1980. In contrast, at the outset of the demonstration in early 1978, prime sponsors could recruit work sponsors for a demonstration that was scheduled to run through June of 1979, subsequently extended through August 1980. Employers facing the prospect of 18 to 30 months of work sponsorship might, therefore, consider the subsidy offer more attractive than experimental firms, which faced a shorter and less certain period of subsidy. This factor could lower experimental participation rates.

A second difference was the relatively short time span for experimental job development, January through May 1980. Employers during the earlier period in the demonstration may have exhibited a "delayed response" in agreeing to participate. In support of this, many employers contacted during the experiment indicated they were not interested at that time in sponsoring a youth, but might at some later date, when circumstances changed for their businesses.[1] Furthermore, interviews with prime sponsor staffs during the demonstration revealed periodic, if not always comprehensive prime sponsor call-back efforts to businesses, with these contacts sometimes picking up firms that had initially declined the offer. Both local economic conditions and the diligence of these call-back efforts appeared to affect the yield. The different length and intensity of active job development in the experiment could thus lead to different cumulative employer participation rates.

---

[1] Shortly after that time, the Department of Labor concluded that the demonstration period would end in August 1980, with some possibility for extension of program operation at a reduced scale through early 1981.

On the other hand, delayed response might discourage participation choice over a longer time. If the reputation of the Entitlement program among community employers became increasingly negative, as employers had unhappy experiences with youths or program administration, initial enthusiasm among those not prepared to participate early might turn to a definite decision not to participate at some later date. Nevertheless, cumulative participation rates can only increase over time as the period of opportunity to participate lengthens.

Launching the experiment late in the demonstration might have had yet another effect on the experimental findings. Job developers in the experiment were instructed in Detroit not to list any employers who were current or former Entitlement work sponsors, eliminating firms who had been "positive deciders" about Entitlement. Similarly, Baltimore job developers were instructed not to complete contact cards on any employers who were current or previous work sponsors. Although this "saturation" phenomenon appears to have been minimal since experimental job development was generally targeted to the new Entitlement areas, job developers during the demonstration had not been prohibited from developing work sponsorships outside the original Entitlement areas. They had, however, tended to stay close to the target area to ease enrollees' after-school commuting.

---

[1] There is an analogy to the participation rate of eligible Entitlement youths, which grew cumulatively over the course of the demonstration as word of mouth spread about the Entitlement opportunity.

Additionally, the establishment of the wage subsidy experiment in only two of the 17 Entitlement communities must be regarded as an important qualifier. Not only are the labor markets of Detroit and Baltimore different in varying degree from other areas (Denver or Cincinnati, for example), but the period of experimental job development was coincident with a downturn in the Detroit economy.

In general, most of these factors would appear to constrain the incentives or opportunities for private business participation in the experimental period, making experimental participation rate estimates an understatement of comparable participation rates in the full demonstration. There are, however, some other factors which might lead to overstated participation rates. First, the local delays in implementing the experiment meant that, at the time of the telephone surveys in August 1980, most employers had not been assigned an Entitlement enrollee. Their agreement to participate was thus a prospective one, and there is reason to believe that there might have been some attrition between the time of agreeing to participate and the actual assignment of a youth.

A second factor tending to press experimental estimates upward is that job developers at both sites may have had some tendency to list for the experiment those businesses they believed, from previous job development experience, to be more likely to participate. While experimental rules required that Detroit job developers list all private businesses to develop the random subsidy level assignment lists, there is some indication that they may have selected out potentially difficult-to-recruit businesses. At both sites, this pre-selecton tendency may not affect generalization to the demonstration, but may generate estimates that somewhat overstate the general interest of all private businesses in sponsoring subsidized youths.

On balance, however, the conditions of the experiment probably contribute more to constraining likely participation, compared to the full demonstration, than raising it. In particular, the shorter time-frame for job development, and the fact that community businesses which had already participated were excluded from the experiment, probably make the findings reported here somewhat of an understatement of business participation rates.

Job developers in Baltimore and Detroit contacted 2,259 businesses, recorded descriptive information about the industry and number of employees, and indicated whether the firm had agreed or declined to sponsor youths at the subsidy level offered. The overall number of employers contacted, allocated by level of wage subsidy, is summarized in Table 6. Industrial distribution of the experimental firms was generally the same as in the overall national demonstration; the largest proportion -- about half the firms -- were involved in trade, and another quarter fell into the category of providing services.[1]

---

[1] See Appendix Table A-3 for a breakdown of industry type and size of firm.

Table 6

DISTRIBUTION OF PRIVATE SECTOR EMPLOYERS CONTACTED IN THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SITE AND SUBSIDY LEVEL

Site and Subsidy Level	Number of Employers Contacted
Baltimore	
50% Wage Subsidy	610
100% Wage Subsidy	561
Detroit	
75% Wage Subsidy	569
100% Wage Subsidy	519
Total	2259

SOURCE: Tabulation of Wage Subsidy Variation record cards filled out by job development staff of the Baltimore and Detroit prime sponsors.

In order to assess the factors which contributed to the decision of these firms to accept or decline sponsorship, a stratified random sample of the 2,259 firms contacted was interviewed by telephone in August and September of 1980. A total of 311 businesses were interviewed, with the sample drawn to include a sufficient number of firms that agreed to sponsor youths at each of the three subsidy levels. To adjust for the possible influence of differences between the firms at the two sites and firms offered different subsidy levels, the survey data were examined using multiple regression analysis. The regression technique permits the analyst to estimate the impact of a given characteristic or treatment while statistically controlling for the impact of other measured differences. This allows, for example, the impact of the subsidy level to be measured as if firms differed only on the subsidy they were offered. Appendix A discusses sample selection, weighting and the regression models used to analyze employer participation.

The Impact of Subsidy Level on Private Sector Participation

Table 7 displays the participation rates of the firms in the sample. Overall, 12.6 percent of the firms agreed to participate at one of the subsidy levels. While this is the average for all three subsidies, it is notable that the firms offered 100 percent subsidy, the basic bargain struck by prime sponsors throughout the demonstration, participated at the rate of only 18.2 percent. Despite the offer of no wage cost, fewer than one in five employers agreed to participate. Thus, wage considerations do not appear to be a first priority for most businesses. This seems to corroborate the initial prime sponsor apprehension about business willingness to sponsor Entitlement youths, even if the experi-

Table 7

REGRESSION-ADJUSTED PARTICIPATION RATES OF A SAMPLE OF PRIVATE EMPLOYERS CONTACTED IN THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SUBSIDY LEVEL

Subsidy Level	Participation Rate
50%	4.7%***
75%	10.0%*
100%	18.2%
Average for all Employers	12.6%
Total Number of Employers	282

SOURCE: Interviews in August 1980 with 311 private sector employers in Detroit and Baltimore who had been approached about becoming work sponsors during the Wage Subsidy Variation Experiment, The survey is described in Appendix A.

NOTES: Participation rates are regression adjusted and based on the 282 cases for which complete data are available. The regression model used to predict participation is described in Appendix A. Significance tests are made by comparing participation at the 100% subsidy level with participation at the two partial subsidy levels. Participation rates at the 50% and 75% subsidy levels are not significantly different from each other.

*Significant at the 10 percent level.
**Significant at the 1 percent level.

ment may somewhat understate the employer take-up rate in the longer demonstration period.

Table 7 also shows that, within the narrow range of employer response, there is a fairly striking sensitivity to price. While only 18 percent agreed to accept a fully subsidized youth, that proportion dropped to 10 percent when an employer was asked to pay 25 percent of the minimum wage. The drop was half again as great if employers were asked to share half the wage cost.[1]

As a matter of program implementation, or with respect more generally to replication of a private sector strategy in other work experience programs, Entitlement prime sponsors would have had to contact four times as many employers to get equivalent numbers had they offered a 50 percent wage subsidy instead of a full subsidy. This would dramatically diminish the pool of potential private sector work sponsors. And, even at full subsidy, the proportion of willing private employers was a small fraction of the private sector businesses approached, even if one assumes that the participation rates in the longer demonstration might have been somewhat higher -- say 25 to 30 percent, instead of 18 percent.

The Impact of Other Factors on Private Sector Participation

The 311 firms interviewed in the wage subsidy variation survey were asked to cite the reasons why they agreed or declined to participate. To avoid asking leading questions, interviewers asked them in an open-ended manner, then grouped them according to reason. In addition, employers were asked to report generally on how well their businesses had fared in the previous year. These, along with other characteristics of the businesses, were examined with multiple regression analysis, controlling for level of subsidy offered to determine what other factors may have influenced their decision.

---

[1] The participation rates at the 50 percent and 75 percent subsidy levels are significantly different from the participation rate at the 100 percent subsidy level as measured using two-tailed t-tests on the regression coefficients for the partial subsidy levels. Significance levels are shown in the notes to Table 7. Except where noted, all significance tests in the remainder of this report are two-tailed t-tests.

All firms that agreed to participate as work sponsors were asked to cite the perceived advantages or benefits which they had considered in making their decisions. From all the reasons they cited, they were also asked to specify the most important consideration. The reasons for participating are summarized in Table 8.

As the table shows, two reasons were cited far more frequently than all others. Nearly six out of ten participating businesses cited "cheap labor" as a major consideration. Notably, however, two-thirds spoke of the opportunity to provide a work experience for unemployed youths, with comments that ranged from "I know how important it was for me to be able to work when I was young," to "Without a chance like this, these kids will never get in the habit of working," to "I saw this as a way to help keep kids off the streets." Additionally, when asked to sort out the most important of their considerations, more employers cited the altruistic motive (48.4 percent) than economic self-interest (32.9 percent). The primacy of this pair of motives, and the fact that self-interest was not the dominant one, corroborate findings from two previous surveys with active or former private sponsors conducted at 12 of the demonstration sites over the course of the demonstration. (These surveys, conducted in

Table 8

PERCENTAGE DISTRIBUTION OF REASONS FOR PARTICIPATION IN THE WAGE SUBSIDY VARIATION EXPERIMENT

Reasons Given for Participation	Percent of Sponsors Reporting Reason[a]	Percent of Sponsors Reporting Reason as Most Important[b]
Cheap labor, no wage cost	57.8	32.9
Chance to look over unskilled workers for possible later hire	19.3	8.7
Chance to do something for disadvantaged youth	67.1	48.4
Possibility of expanding output temporarily	15.5	5.6
Chance to have motivated youth willing to both study and work	2.5	1.2
Minimal paperwork	0.6	0.0
Chance to employ specific youth known to employer	1.2	1.2
(Other)	5.0	1.8
Total Number of Reasons Reported	274	----
Total Number Sponsors Interviewed	161	

SOURCE: See Table 7.

NOTES: The Table reports answers from the 161 firms in the sample who agreed to participate at one of the subsidy levels.

[a] Percents in this column do not sum to 100 due to multiple responses.

[b] Percents in this column do not sum to 100 due to rounding.

the fall of 1979 and the spring of 1980 are discussed in Appendix A.) Interviewers in all three surveys were persuaded that the altruism sounded genuine, not simply "nice talk" from downtown businessmen.

The larger group of subsidy variation survey firms, those which declined to participate as work sponsors, were asked to indicate why and to specify the most important reason for declining the offer. These are summarized in Table 9. By far the most often cited reason, and the one most frequently specified as most important, was that the employer did not have enough work to take on additional help, that there were enough staff to handle the work already, or that the business was just too small to need additional hands. Over two-fifths of all non-participating firms volunteered this reason, and over one-third cited it as the most important consideration. The second most frequently cited consideration was that the work available was not appropriate for high school youths, was too dangerous, or demanded higher skills than the employer thought the Entitlement youths could provide. Less than one-fifth of non-participating firms cited declining business conditions as a reason.

While there may have been factors other than those directly stated in the survey, it would appear that a large share of the employers approached by experimental job developers simply did not have enough work, or the right kind, to take on subsidized help. Without more evidence on their parallel unsubsidized hiring practice, it is not possible to sort out whether these businesses, during the period they were approached, were simply not hiring, or were more specifically not interested in sponsoring Entitlement participants.

In addition to asking employers about their reasons for partici-

Table 9

PERCENTAGE DISTRIBUTION OF REASONS FOR NON-PARTICIPATION IN THE WAGE SUBSIDY VARIATION EXPERIMENT.

Reasons Given for Non-Participation	Percent of Employers Reporting Reason[a]	Percent of Employers Reporting Reason as Most Important[b]
Not enough work; sufficient staff already, too small to need extra help	42.2	35.4
Nature of work inappropriate for teenagers, requirements too high	27.9	21.1
Not enough work; business slow or declining	17.0	12.9
Potential problems supervising youth	8.2	4.8
Concern about youth work attitudes/reliability	8.2	4.8
Difficult/reluctance to schedule part-time work	8.2	4.8
Dislikes government/subsidized labor programs	4.8	3.4
Had to lay off regular staff and reluctant to take on subsidized youth	3.4	0.7
Couldn't get approval from main office	2.7	2.0
Heard bad reports about program	2.7	0.0
Potential or actual union problems	2.0	1.4
Administrative/paperwork problems	2.0	2.0
Couldn't afford partial wage	1.4	0.7
Nature of program or requirements unclear	0.7	0.7
(Other)	3.4	3.4
(No reason given)	1.4	1.4
Total Number of Reasons Given	198	----
Total Number of Employers Interviewed	147	

SOURCE: See Table 7.

NOTES: The number of firms agreeing to participate and refusing to participate shown in tables 8 and 9 sum to 308 rather than 311 because three of the firms interviewed had neither refused nor accepted the Entitlement offer. These firms were waiting for the program to recontact them.

[a] Percents in this column do not sum to 100 due to multiple responses.

[b] Percents in this column do not sum to 100 due to rounding.

pation, interviewers collected information on several more objective factors which were hypothesized to affect the willingness of firms to accept a sponsorship role. Some of these were factors suggested by the experience of Entitlement prime sponsors during the course of the demonstration, and others were based upon assumptions about the economic behavior of private sector firms. They included the following:

- Industry of business: Were manufacturing firms less likely to participate than firms in other industries?
- Size of business: Were very small firms more likely to sponsor youths than large firms?
- Age of business: Were recently established firms more likely to participate than older businesses?
- Unionized businesses: Were unionized firms less likely to participate, given the additional negotiation with unions which would have been necessary?
- Prior experience employing youths or sponsoring employment program participants: Were businesses that had previously employed youths or participated in an employment program more likely to participate?
- Financial condition of business in past year: Were businesses that reported themselves as doing well financially likely to participate than businesses that had not done too well?
- Expansion of business in past year: Were firms that had increased their number of regular employees over the past year more likely to sponsor Entitlement youths than those which had remained stable or actually reduced their regular work force?

As with the estimation of subsidy level impacts on participation, multiple regression analysis was applied to determine how much each of these factors influenced the participation decision when all other variables were controlled. These are summarized in Table 10, which estimates participation rates as if firms differed only on the factor in question.

Table 10

REGRESSION-ADJUSTED PARTICIPATION RATES OF A SAMPLE OF PRIVATE SECTOR EMPLOYERS APPROACHED FOR THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SELECTED EMPLOYER CHARACTERISTICS

Characteristics		Participation Rate
Age of Establishment:	1-2 Years	22.8%**
	3-10 Years	13.2%
	11-20 Years	11.3%
(Comparison Group)	Over 20 Years	7.5%
Had Prior Experience with Youth Employees:	Yes	15.7%*
	No	7.9%
Had Prior Experience with Employment and Training Programs:	Yes	11.3%
	No	12.8%
Change in Level of Regular Employment over Last Year:	Increase	22.5%**
(Comparison Group)	No Change	10.6%
	Decrease	10.9%
Manager's Description of Financial Condition:	Doing Pretty Well	16.9%
(Comparison Group)	Doing OK	11.1%
	Not Doing Too Well	9.7%
Manager's Description of Profitability:	Moderately or Highly Profitable	11.6%
	Barely or not Profitable	14.1%
Industry Type:	Manufacturing	4.4%
	Non-Manufacturing	13.2%
Workers Unionized:	Yes	1.9%
	No	13.1%
Size of Firm in Full-Time Equivalencies[a]:	5 Employees	12.6%
	20 Employees	12.6%
	100 Employees	12.4%
Total Sample		12.6%
Sample Size		282

SOURCE: See Table 7.

NOTES: See Table 7 for notes on the regression model used. Significance tests are made comparing participation rates for employers with a given characteristic to participation rates for employers without the characteristic. Where more than one comparison is possible, a comparison group is identified against which all significance tests are made. For example, participation rates for firms aged 1-2 years, 3-10 years, and 11-20 years are compared with the participation rate for firms operating for over 20 years. Firms aged 1-2 years are the only group significantly more likely to participate than firms over 20 years in age. Significance is measured

[a] Full-time equivalencies are measured by counting each part-time employee as one-half of a full-time employee. Fitted values for this characteristic are produced from a continuous variable so a comparison group cannot be identified. Size of firm does not have a significant impact on participation.

*Significant at the 10 percent level.
**Significant at the 5 percent level.

Many of these factors had effects so small that they could easily have occurred by chance. These include whether an employer was a manufacturer or was unionized, whether a firm was large or small, whether employers characterized their financial condition as "doing pretty well" or not, and whether an employer had prior experience with employment and training programs.

Three of the employer characteristics did make a significant and independent contribution to the participation decision. First, businesses that had in the past employed youths were twice as likely to sponsor Entitlement participants as those who had not. Although this is hardly a surprising finding, it does support the sensible notion that employers are more likely to repeat an experience with which they are familiar, and further, that those businesses are more likely to have low-skilled work which is appropriate for high school-aged youths. It may also point to the possibility that such employers might substitute subsidized enrollees in jobs which might otherwise have gone to others. This potential dilemma is addressed further in the final chapter.

The other factors influencing participation are the age of the business and the expansion of its regular work force during the previous year. New businesses, less than three years old, participate at a 23 percent rate. Similarly, firms that have increased their labor force in the last year also show a 23 percent participation rate. It may be that newer firms, in that period of uncertainty which accompanies the high outlays and slow sales growth of the first years, are more likely to see benefits in subsidized wages and in the opportunity to sponsor youths without the responsibility of carrying them on their regular payroll.

Similarly, it is reasonable that expanding businesses have work that needs to be done and can be more expansive about sponsoring program enrollees.

It is important to reiterate that the findings from the wage subsidy variation experiment must be regarded with great caution in drawing generalizations about the behavior of private businesses in the Entitlement demonstration, or about the responsiveness of firms more generally to the sponsorship of youth work experience. The variation was applied in only two cities, for a relatively short period and after demonstration sponsors had been recruiting private employers for nearly two years. It is thus likely that the 18 percent participation rate of fully subsidized businesses represents a lower rate than would have been measured at other demonstration sites over a longer time-frame. Nonetheless, even the offer of 100 percent wage subsidy does not bring businesses forward in large proportions. The vast majority do not find the bargain sufficiently attractive.

The sensitivity of businesses to subsidy level is also fairly dramatic, and while the specific ratio of participation rates among subsidy levels should be regarded cautiously, it does appear that business enthusiasm for employing disadvantaged youths is further constrained by the imposition of a cost-sharing procedure. That only one-fourth as many employers are willing to pay $1.65 per hour (one-half the 1980 minimum wage) for a youth's labor than are willing to sponsor a youth at no direct wage cost speaks to a relatively marginal need for youth employees, or a marginal enthusiasm for sponsoring disadvantaged youths, or both.

The reasons given by firms for their agreement to participate suggest a pattern of dual motives, one which would not support a simple stereotype that private sector sponsors are only in it for the money. It may well be that the generally small firms which participated in the wage subsidy experiment and in the demonstration as a whole are especially likely to feel a community concern for youth employment. The narrower economic motive does not contradict or diminish this altruistic motive.

The generally low participation rates of businesses in the two-site experiment do imply that employer demand for youth employees would not be great enough to give manpower operators the option of supplanting their regular pools of public and nonprofit agency work sponsors with private businesses. The level of job development effort necessary to land for-profit work sponsors in just the experiment itself was fairly substantial.

Developing work experience in the private sector thus may very well not be the most cost-effective job creation strategy, all other considerations being equal, when expenditure of public funds for recruiting work experience providers is considered. On the other hand, since great numbers of businesses did agree to sponsor youths in the 17 communities, their experience with sponsorship and the degree to which they were willing to continue sponsoring youths deserves further consideration. This will be explored in the following chapter.

Chapter 4

PRIVATE SECTOR SATISFACTION AND RETENTION

Findings from the wage subsidy variation experiment address several questions concerning the response of private businesses to Entitlement and similar youth work experience programs -- in particular, the private sector's willingness to sponsor youths at the 100 percent subsidy offered during the demonstration, and the effect of a lower subsidy offer on its response. The timing of the experiment, late in the demonstration period, and local delays in implementing it did not permit several other questions to be examined, however. Most employers who agreed to participate in the test did not have youths assigned to them until the late spring and summer of 1980. They could not be interviewed about their actual experience as work sponsors, their degree of satisfaction with program administration and with assigned youths, or their willingness to remain active as work sponsors.

To address these questions, MDRC fielded a telephone survey in May 1980 with a random sample of 513 employers who had sponsored youths. The sample was drawn from the group of private employers at 12 of the 17 Entitlement sites who had youths working for them in September 1979, the beginning of the final school year in the demonstration.[1] They were asked about their overall experience as work sponsors and questioned more closely about their particular experience with the youths who worked for them most recently. Findings from that survey are the subject of this chapter.

---

[1] Employers were not interviewed at the five sites which had fewer than ten active private sector sponsors in September 1979.

The 513 employers interviewed represent fairly closely the industrial mix of private sector sponsors who participated over the course of the entire demonstration (See Table 4, page 21). Just under one-half were in the retail or wholesale trades, 32 percent were in service industries, and 8 percent were manufacturers. They were predominantly small businesses, as Table 11 summarizes, with 41.6 percent employing fewer than five full-time (equivalent) regular employees, and 65.3 percent having fewer than ten full-time workers. These employers had been assigned 3,626 enrollees through the time of the interviews in May 1980, for an average of seven youths per sponsor, although they typically had only one or two youths assigned at any one time. They were asked about their contact with program liaison staff in terms of the content of the communication with staff and their satisfaction with the staff's assistance. They were also asked about their experience with the youths who had been assigned to them.

Private Sector Experience with Program Administration

Although the job bargain which program staff had to offer private businesses during the demonstration was a relatively low-cost and trouble-free arrangement, administrative logistics could be fairly complex, particularly in the large Tier I programs. Once the prime sponsor had recruited a business, a youth would have to be sent for the employer's consideration. The youth might or might not have the needed skills or other qualifications. If an assigned youth did not get paid in timely fashion by the prime sponsor, he or she might complain to the work sponsor first. If a youth's attendance or behavior was a problem for the employer, program staff might or might not attend to the matter quickly.

Table 11

PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS INTERVIEWED IN MAY 1980, BY SIZE OF FIRM

Number of Employees[a]	Percent of Sponsors
Less than 5	41.6
5.0 - 9.9	23.7
10.0 - 19.9	13.7
20.0 - 49.9	10.5
50.0 - 99.9	4.2
100.0 - 249.9	3.4
250.0 - 499.9	1.6
500.0 - 999.9	0.2
Over 1000.0	1.2
Total	100.0
Average Size	34.6
Median Size	6
Number of Sponsors Reporting Size of Firm	503

SOURCE: Interviews in May 1980 with 513 private sector work sponsors at seven Tier I sites and five Tier II sites who employed Entitlement youths in September 1979. The survey is described in Appendix B.

NOTES: Percents do not sum to 100 due to rounding.

[a] Number of employees are calculated in full-time equivalencies by counting each part-time employee as one-half of a full-time equivalent employee. These figures do not include Entitlement youths.

If a youth walked off the worksite and the employer wanted a replacement, the program had to have a re-assignment procedure in place to keep the sponsor supplied. Breakdowns in this liaison procedure and follow-through could generate employer frustration, despite the absence of payroll red tape.

Prime sponsor staffs, as discussed in Chapter 2, were concerned at the outset that private firms would be quick to let any such foul-ups confirm a natural suspicion about government inefficiency and that they would resign as sponsors very quickly in consequence. Despite that concern, the press of numbers did not generally allow prime sponsors to develop special arrangements to treat businesses' problems quickly, except possibly at those sites such as Cincinnati and Denver that subcontracted an ongoing liaison role to business trade groups.

The May 1980 work sponsor survey asked sponsors to recall their initial expectations about problems or disadvantages in agreeing to sponsor youths. Their responses about administration and employing youths are summarized in Table 12. As the table indicates, the largest response category was the 61 percent of employers who could not recall having had any particular misgivings. The next largest category, encompassing responses about supervising youths, youths' attitudes or reliability, includes concerns expressed by 27 percent of the sponsors. Concerns about program and administration, suspicion of government programs, and so on were expressed by only 7 percent of the employers.

While employer recall of early expectations may have been colored by their subsequent experience as work sponsors, it does not appear that administrative problems were particularly salient. The work sponsor

Table 12

PERCENT OF PRIVATE SECTOR WORK SPONSORS INTERVIEWED IN MAY 1980 WHO PERCEIVED DISADVANTAGES TO PARTICIPATION IN ENTITLEMENT, BY TYPE OF DISADVANTAGES REPORTED

Perceived Disadvantages/Risks	Percent of Sponsors
Youth-related concerns:	
Youth work attitudes or reliability	27
Problems supervising youth	
Security or theft	
Program-related concerns:	7
Administrative or paperwork problems	
Ending of wage subsidy	
Other employer concerns:	11
Lack of work	
Part time schedules difficult	
Overhead or supervisory costs	
Other	
No Disadvantages/Risks Reported	61
Total Number of Disadvantages Reported	265

SOURCE: See Table 11.

NOTE: Percents do not sum to 100 due to multiple responses.

survey revealed that over 80 percent of the employers had not previously sponsored youths for an employment and training program. To some extent their general lack of concern about program administration may have reflected naiveté. Other survey findings, however, do not appear to support this interpretation.

Surveyed firms were asked whether they had requested any general or specific qualifications for the youths they would be assigned. As Table 13 indicates, nearly two-thirds did make such requests. Most of these were characterized in general terms, such as reliability or willingness to work hard, although a minority of the employers indicated they had asked for youths with typing skills, ability to work with customers, arithmetic ability, and so forth. Of those who had requested youths with some qualifications, over 80 percent responded that the youths assigned had met them. The sponsors were also asked whether, once they had assumed sponsorship, they had occasion to request replacements for youths who had left their employ. One-half of all the employers surveyed did request replacement youths, and 85 percent of those reported that replacements had been assigned to them.

The primary contact that employers had with Entitlement program staff during their sponsorship was the program counselor or caseworker. One of the tasks which program counselors were assigned related to the bi-weekly central payroll (weekly at two of the survey sites). Staff picked up time sheets for assigned youths at nearly all sites, and at some locations distributed pay checks on the worksite. While this was the principal activity of program liaison staff, the visits to the sites, required by the payroll mechanism, set up an opportunity for communi-

Table 13

DISTRIBUTION OF PRIVATE WORK SPONSORS BY WHETHER THEY REQUESTED AND RECEIVED YOUTHS WITH PARTICULAR QUALIFICATIONS

Responses	Percent of Sponsors
Work sponsor reported that they:	
Asked for qualifications	64
Did not ask for qualifications	35
Did not recall	2
Work sponsor asked for qualifications and reported that the youth assigned:	
Met the qualifications	82
Did not meet the qualifications	17
Did not recall	1
Number of Sponsors Who Asked for Qualifications	326

SOURCE: See Table 11.

NOTE: Percents may not sum to 100 due to rounding.

cation about youth performance and other employer problems. As Table 14 indicates, nearly half of the work sponsors reported contact with counselors weekly or more often, even though payroll responsibilities only called for bi-weekly contact at all but two sites. Nearly three-fourths reported contact at least every two weeks. Most of the employers reporting less frequent contact were probably at those sites where time sheets could be mailed to the prime sponsor, although periodic staffing problems at a few sites may also be reflected.

Table 14 also summarizes private employer responses on the issues they discussed with program counselors. While one-quarter of them raised administrative problems with counselors, most also discussed youth performance, attendance, progress, or personal problems. Employers were also asked whether they could recall any matters about which program counselors had been particularly helpful, and whether there were any issues where program staff had been notably unhelpful. Responses to these two questions are summarized in Table 15. Two-thirds found program staff particularly helpful, and less than one-fifth of the employers found them particularly unhelpful on some matter. Greater proportions found counselors helpful than unhelpful on matters of youth attitudes, attendance, performance, or other youth-related concerns. In addition, twice as many volunteered that program staff had been helpful as opposed to unhelpful in matters of program administration.

The sample of employers surveyed thus appears to present an overall pattern of satisfaction with program administration. Not only were there relatively few complaints about administrative foul-ups, but there was a fair degree of substantive discussion between the employers and program

Table 14

DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS BY REPORTED FREQUENCY OF CONTACT AND ISSUES DISCUSSED WITH PROGRAM COUNSELORS

Responses	Percent of Sponsors
Frequency of contact[a]:	
Once a week or more	50
Every two weeks	23
Once a month	11
Less than once a month	11
Did not know	2
No contact reported	4
Total	100
Issues discussed[b]:	
Work habits, attitude, attendance	56
Performance	65
Progress, training	37
Other aspects of youths' participation	9
Personal problems of youth	15
Difficulties on worksite (safety, health, theft, etc.)	3
Problems with program administration (paychecks, replacements, etc.)	24

SOURCE: See Table 11.

NOTES: [a] Percents may not sum to 100 due to rounding.

[b] Percents do not sum to 100 due to multiple responses.

Table 15

PERCENT OF PRIVATE SECTOR WORK SPONSORS WHO REPORTED COUNSELORS TO BE PARTICULARLY HELPFUL OR UNHELPFUL, AND PERCENT WHO IDENTIFIED SPECIFIC ISSUES ON WHICH COUNSELORS WERE HELPFUL OR UNHELPFUL

Responses	Percent of Sponsors Reporting Counselors to be: Helpful	Percent of Sponsors Reporting Counselors to be: Unhelpful
General Statements of Sponsors:		
Yes	67	17
No	31	81
Did not know	2	2
Specific issues identified by Sponsors[a]		
Work habits, attitude, attendance	33	6
Performance	17	3
Other aspects of youth's participation	10	3
Difficulties on worksite (safety, theft, health, etc.)	3	1
Personal problems of youth	15	2
Progress, training	11	1
Problems with program administration (paychecks, replacements, etc.)	18	8
Other	7	4

SOURCE: See Table 11.

NOTES: This table is based on two separate questions, which asked sponsors if there were areas in which counselors had been particularly helpful, and areas in which counselors had been particularly unhelpful. The fact that counselors were not identified as helpful in the first column, does not necessarily mean that counselors were unhelpful. Sponsors could report that counselors were both helpful in some areas and unhelpful in others or could report that counselors were neither particularly helpful or unhelpful.

[a] Percents are based on the 513 work sponsors in the survey sample. Percents do not sum to 100 because no more than 67 percent of sponsors found counselors helpful and no more than 17 percent found counselors unhelpful. Percents do not sum to 67 and 17 due to multiple responses.

staff about youths' performance, attendance, and progress in their work experience. Since all the employers contacted, save those in Mississippi, were working under a full-subsidy arrangement, it is impossible to determine whether their perceptions (and expectations) of program helpfulness might be partly a halo effect from not having to assume any of the wage cost. The full subsidy and the streamlined payroll do appear, however, to have created a situation in which employers could judge the experience on the basis of their primary contact, the youths who worked for them.

Employer Experiences with Enrollees

If employers reported general satisfaction with program administration, what of their perceptions of the assigned youths? Survey interviewers asked several questions about youths' work habits, attitudes, and patterns of improvement over time, and whether the youths demanded more of the employer's time than had originally been expected. These indicators of satisfaction are summarized in Table 16. The four indicators together reveal a pattern which shows that youths' attitudes and work habits were generally average or a little better, that most employers did not find that supervision took more time than they had anticipated, and that the great majority observed the youths improving over time.

It is reasonable to expect employers to complain less about youths for whom there is no wage cost. Nonetheless, their general satisfaction with Entitlement participants, even in the face of a fair amount of youth turnover, appears to indicate that they generally accepted the sometimes erratic work patterns of teenagers and their own role as

Table 16

PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS, BY SPONSORS' REPORTS OF SATISFACTION WITH ENTITLEMENT YOUTH ASSIGNED TO THEM

Sponsor Reports of Satisfaction	Percent of Sponsors
Perceived that Youth demanded more staff time and effort than expected:	
Yes	35
No	64
Did not know	1
Rating of general work habits:	
Above Average	29
Average	53
Below Average	18
Rating of attitude and willingness to work:	
Above Average	34
Average	50
Below Average	17
Perceived improvement over time in work or attitude:	
Yes	75
No	21
Did not know	3

SOURCE: See Table 11.

NOTES: Percents may not sum to 100 due to rounding.

provider of a work-training experience.[1] Part of that overall satisfaction may reflect a particularly stable experience with one or two of the seven or so youths that the average employer sponsored over time.

Employers were asked to recall the longest stay of any of the youths they sponsored. Table 17 displays the number of months that the youths worked for each sponsor. While nearly one-third of the sponsors had no youths who stayed more than six months, another one-quarter had youths who had been with them for more than a year. Over one-half of the sponsors had at least one youth for eight months or more.

Another overall indicator of employer satisfaction would be the proportion of employers who, falling subject to the wage subsidy reduction requirement discussed in Chapter 2, agreed to assume half the wage cost. Applying the subsidy reduction guidelines, interviewers determined that 18 percent of the employers (91 of the 513 surveyed) were "eligible" for the subsidy reduction; that is had continuously sponsored a youth for at least 12 months after January 1979. As a possible indicator of the constrained diligence with which some Entitlement prime sponsors sought to enforce the requirement, only half of the 91 employers recalled having been approached with the choice of picking up part of the wage cost or losing the assigned youth. Of those who did recall being asked, however, over three-fourths (78 percent) agreed to pick up half of the youth's wage cost.

It is of course possible that prime sponsors were selective in a biased fashion about whom they approached for reduced subsidy, since only

---

[1] See Osterman, 1980, for a discussion of youth labor force behavior.

Table 17

PERCENTAGE DISTRIBUTION
OF PRIVATE SECTOR WORK SPONSORS,
BY LENGTH OF EMPLOYMENT
OF THE YOUTH WITH LONGEST TENURE

Number of Months Employed	Percent of Sponsors
1-3 months	11
4-6 months	21
7-9 months	23
10-12 months	15
13-18 months	15
More than 18 months	8
(Sponsor did not recall)	8
Total	100
Mean	9.5
Median	8

SOURCE: See Table 11.

NOTE: The table shows the length of employment for the youth indentified by each sponsor as having been employed the longest. Since sponsors were not asked if the youth employed the longest was still employed, these figures probably understate the length of employment.

half of the "eligible" sponsors remembered having been approached. A more plausible explanation is the relatively poor recordkeeping by some prime sponsors and their relatively slow start-up in enforcing the requirement.

Thus, the fact that three-fourths of the work sponsors approached had agreed to share wage costs is not an unequivocal finding of employer satisfaction, but is an additional indicator that employer satisfaction may spring in part from a stable experience with enrollees. Furthermore, there were few complaints about the subsidy reduction; many work sponsors interviewed, in the sponsor survey and in less formal interviews in the field, voiced the opinion that it would only be fair to accept a reduced subsidy if a youth had become a stable worker, and that refusal to do so would be "ripping off the taxpayer." It should be noted, however, that while most employers who had a one-year trial period with no wage cost seemed willing to assume half the wage cost, subsidy experiment employers approached with a 50 percent offer from the outset agreed to participate at only a 5 percent rate.

Another mark of private employers' satisfaction with their role -- and a particularly distinctive benefit to private sector work experience, given the hiring constraints on most local governments in this era -- is the proportion of work sponsors who subsequently hired enrollees on their own payroll. Table 18 summarizes employer response to this question, showing that nearly one-fifth of the sponsors had taken on youths (61 percent of them hired one; 39 percent hired two or more). Another two-fifths intended to hire one of the youths in the future or had intended to, if the youth had not left on his or her own accord. It

TABLE 18

PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS BY WHETHER THEY HAD HIRED OR INTENDED TO HIRE ENTITLEMENT YOUTHS ON THEIR OWN PAYROLL

Responses	Percent of Sponsors
Yes, had hired one or more youth	19
No, had not hired any but intended to hire[a]	38
No, had no intentions to hire	42
Did not know	1
Total	100

SOURCE: See Table 11.

NOTES: [a] Employers could report intentions to hire current Entitlement employees or intentions to hire past Entitlement employees who left.

appears, therefore, that the Entitlement assignment amounted to subsidized on-the-job training for some of the youths assigned to private businesses and led to their subsequent hiring. There are no data about comparable hirings by public and nonprofit work sponsors, but it is reasonable to speculate that few had the budget resources to do so.

To minimize problems of sketchy recall and to obtain a more narrowly focused picture of employer experiences with individual youths, interviewers asked a battery of questions about the most recently assigned youths who had worked for the employer. Employers were asked to report on up to six youths, starting with the one or ones most recently assigned and working backward.[1] These questions covered employers' experiences with one-half the youths ever assigned to them, 1,818 of the 3,626 youths.

As Table 19 indicates, nearly two-thirds of the recently assigned enrollees were still working for their employer. Employers had requested that 209 of the youths, slightly under 12 percent, be re-assigned to another work sponsor; from the employer's point of view, this was equivalent to "firing" the youths.[2] An additional one-fourth of the recently

---

[1] Nearly 70 percent of the 513 sponsors had employed six or fewer youths.

[2] As discussed in Chapter 1, Entitlement regulations authorized only prime sponsor staff to terminate a youth's Entitlement for poor performance or attendance, and of course, staff took into account employer dissatisfaction as marked by a request to re-assign a youth. In some instances, also, program staff determined that a work sponsor had been unreasonably harsh in "firing" a youth and chose to give the youth a second chance on another worksite. Overall, 11 percent of Entitlement participants lost their entitlement for unsatisfactory worksite performance or attendance.

Table 19

PERCENTAGE DISTRIBUTION OF RECENTLY ASSIGNED YOUTHS, BY EMPLOYMENT STATUS IN MAY 1980

Employment Status	Percent of Youths
Employed at time of interview	64
"Fired"[a]	11
Left employment for other reasons	25
Total	100
Total Number of Recently Assigned Youths	1,818
Number of Sponsors with Youths Who Left[b]	322

SOURCE: See Table 11.

NOTES: Percents are based on data for as many as six youths most recently assigned to each sponsor. Three hundred twenty-four sponsors employed fewer than six youths.

[a] Work sponsors could ask the program to reassign youths who were not working out, which had the same effect, from the employers' perspective, as firing the youths. However, only the prime sponsor could terminate a youth from the entitlement program.

[b] This includes youths who left due to "firing" and who left for other reasons.

assigned youths left on their own accord, for some other reason. Of those who left without being fired, the employers reported that they had a satisfactory opinion of 63 percent, a neutral attitude toward 20 percent, and had been dissatisfied with the performance of 17 percent, or 77 youths. As a summary indicator, the 286 youths that employers had either "fired" or thought "good riddance" of amounted to 16 percent of the most recently assigned youths

Work Sponsor Retention

The 513 employers surveyed in May 1980 had all sponsored youths in September 1979. Interviewers found that, at the time of the interviews, 68 percent of the employers still had youths working for them. An additional 19 percent indicated that, while they did not have any youth currently assigned, they were willing and interested in accepting additional youths. These two groups, still active or interested in resuming work sponsorship, comprise an 87 percent "retention rate" among the surveyed employers over the nine-month period, September 1979-May 1980.

Only 13 percent of the employers indicated that they were no longer willing to accept youths (or were undecided) and had thus, in effect, quit as work sponsors. On an annualized basis, this would amount to a 17 percent "quit rate" for work sponsors. Combined with the relatively low participation rate of firms, even at full subsidy, as estimated for the Baltimore and Detroit sites in the wage subsidy variation experiment, this one-sixth annual rate of attrition in the sponsor pool accentuates further the level of job development required to maintain a stable share of private sector work sponsors in the Entitlement demonstration. It is a plausible speculation that employer quit rates would have been higher had businesses been required to accept only a partial wage subsidy from the outset of their participation.

An effort was made, applying regression analysis, to determine what factors and perceptions appeared to affect the retention rate of work sponsors. The variables discussed above were analyzed, as well as one site-related factor: the comparison of sponsor retention at those sites which had contracted with intermediary business groups to handle private sector job development and staff liaison.[1]

The retention rate analysis (see Table 20) indicates that several factors had such a small effect on employer retention that they might have occurred by chance.[2] Unfortunately, several of these statistically insignificant factors are of some policy interest since they are connected with particular implementation strategies or with employer perceptions of prime sponsor performance. These included whether the employers had asked for, but not received, youths with particular skill qualifications; whether the employers found program staff to be notably

---

[1] In addition, whether the employer was at the Mississippi site was included as a factor since Mississippi was unique in operating at a 75 percent wage subsidy.

[2] The overall retention rate displayed in Table 20, 92.8 percent, is higher than the 87 percent unadjusted rate. This reflects a property of the logistic regression technique applied. See Appendix B for a technical discussion. Significance tests were made comparing retention rates for employers with a given characteristic to retention rates for employers without the characteristic. Where more than one comparison was possible, a comparison group was identified against which all significance tests were made. For example, retention rates for firms employing youths with above average work habits were compared with the retention rate for firms employing youths with average work habits. Firms employing youths with above average and below average work habits remained willing to participate at rates significantly different from the rate for the comparison group.

Table 20

REGRESSION-ADJUSTED RETENTION RATES OF A SAMPLE OF PRIVATE SECTOR WORK SPONSORS BY SELECTED WORK SPONSOR CHARACTERISTICS

Characteristics		Retention Rate
Employer Rated Youth Work Habits:	Above Average	97.0**
(Comparison Group)	Average	91.7
	Below Average	83.0**
Youth Improved Over Time:	Yes	93.8*
	No	88.7
Youth Required More Staff Time Than Expected:	Yes	89.7*
	No	94.1
Employer Asked for Qualified Youths and Received:	Youths Meeting Qualifications	93.8
	Youths Not Meeting Qualifications	90.9
(Comparison Group)	Employer Did Not Ask for Qualifications	91.8
Counselors Found Helpful in Some Area:	Yes	93.4
	No	91.5
Counselors Found Not Helpful in Some Area:	Yes	93.1
	No	92.8
Frequency of Counselor Contact:	Once or More Per Week	88.4
	Twice Per Month	92.9
	Once Per Month or Less	97.2**
Employer Approached for Subsidy Reduction:	Yes	98.6*
	No	91.7
Size of Firm in Full-Time Equivalencies[a]	5 Employees	91.7
	20 Employees	92.3
	100 Employees	94.9
Industry Type:	Manufacturing	93.1
	Trade	94.7
	Service	89.9
(Comparison Group)	Others	89.7
Prior Experience with Youth:	Yes	94.1*
	No	90.1
Prior Experience with Employment and Training Programs:	Yes	94.3
	No	92.4
Employer in Site Using Business Intermediaries:	Yes	90.7
	No	93.2
Employer in Mississippi:	Yes	73.9****
	No	94.5
Retention Rate for all Sites		92.8
Sample Size		493

SOURCE: Logistic regression model based on data from the May 1980 Work Sponsor Survey.

NOTES: See Appendix B for notes on the regression model used. Estimates are based on the 493 cases for which complete data are available. The average work sponsor retention rate is 86.9 percent before adjustment, and 92.8 percent after adjustment. Fitted values for proportion of worksites in private sector are shown in Appendix B. Significance is measured using Chi-square tests on regression coefficients for each employer characteristic.

[a] Full-time equivalencies are defined as in Table 10.

*Significant at the 10 percent level.
**Significant at the 5 percent level.

helpful or unhelpful; and whether the prime sponsor had enlisted the cooperation of business intermediary groups to act as employer liaisons.

One factor related to implementation which did appear to have some effect on work sponsor retention was the degree to which a prime sponsor depended on work sponsors coming from the private sector. There is some indication that prime sponsors which depended especially heavily on private sector participation experienced lower levels of work sponsor retention. (See Chart B-1, Appendix B.) Perhaps the relatively greater burden on staff resources required to recruit and serve private sponsors, or the lower degree of selectivity in choosing employers -- since a large number would be necessary for the job pool -- may have contributed to lower quality of liaison efforts, youth job matching, or a lower level of interest among employers.[1]

Several other factors also influenced the employer retention decisions, all of which seem reasonable. Sponsors rating youths' work habits above average were significantly more likely to remain in the sponsor pool, and those who found youths' work habits below average were substantially more likely to quit. Sponsors who found that youths' work habits improved over time were much more likely to remain active than those who did not. Those who found that supervision took more time than expected had lower retention rates. Employers who had agreed to accept a reduced subsidy were more likely than average to remain active.[1] Another factor which appeared to have contributed to retention, and one that is not so intuitively evident, was the relatively higher retention rate for work sponsors who saw program staff less than once a month. It seems plausible that the employers with problems initiated more frequent contact with program staff than did businesses that were satisfied.

---

[1] One of those sites with a relatively high share of private sector sponsors, Mississippi, has a particularly low adjusted participation rate, as Table 20 reveals. It is possible that the lower subsidy level in Mississippi may also have contributed to lower retention, but this factor cannot be statistically isolated from the other factors which distinguished the Mississippi site from the others in the survey.

The regression analysis does not reveal particularly dramatic findings in terms of other program implementation strategies. Those factors which might be hoped to have an effect -- using intermediaries to improve private sector retention; helpful counselors -- do not emerge as significant. The findings that are significant come down to the simple observation that employers with better youths remain active longer. This can be partly rescued from tautology by the observation that more careful job matching by programs staffs may help prime sponsors retain a larger pool of private sector work sponsors. This points to a simultaneous strength and limitation of the private sector component in the Entitlement demonstration: that some degree of "creaming" in assigning youths to the private sector is probably called for. Private work sponsor assignments are not the optimal ones for all youths.

Further discussion of private employer incentives to participate, the consequences in terms of work quality and labor market displacement, and more general observations about the place of the private sector component in the Entitlement demonstration are discussed in the final chapter.

---

[1] It should be noted that, apart from their being relatively satisfied with the bargain, the rules of the subsidy reduction regulation and its eligibility criteria make it much more likely that those who accepted reduced subsidy would have had youths on board at the time of the survey.

Chapter 5

THE UTILITY OF THE PRIVATE SECTOR COMPONENT IN ENTITLEMENT

Entitlement prime sponsors dedicated a fair degree of effort, increasing over time, to the recruitment of private businesses. Their ability to obtain nearly 6,000 private employers indicates their success, but on the basis of the Baltimore and Detroit wage subsidy experiment, that success came from contacting many more businesses than the 6,000 that actually signed up. Cumulatively, over half the work sponsors in Entitlement were in the private sector; however, the fact that they provided work experience for only one-fifth of the youths' work time invites the question whether the work experience was of comparably higher quality to justify the heavy investment of prime sponsor staff resources. Additionally, there is a question of displacement. Would the factors that contributed to quality also produce work displacement, since avoiding "make-work" might involve assigning enrollees to jobs that the employer would otherwise fill with an unsubsidized worker?

Both of these questions can be explored with data from the Entitlement work quality survey and from an exploratory study of the relationship between displacement and work quality. The findings are presented in the two sections that follow. Their implications for reaching an overall judgment on the utility of a private sector component, in Entitlement or similar youth programs, will be explored in the final section where the findings are considered together with those reported earlier.

Work Quality in the Entitlement Demonstration

A previous study in the MDRC series on Entitlement implementation has examined the quality of the work experience at a random sample of 520 worksites which were visited and assessed during the period, November 1978 through November 1979 (Ball, et al., 1980). Consultants and MDRC field monitors visited worksites and interviewed youths and their supervisors, following a structured observation and report guide. Over 70 variables were coded, which were summarized into several major factors. These factors were based upon analysis of the literature on work quality and an attempt to define operationally the concept of "make-work." The factors included: whether the work sponsor believed the youths' work was directly related to the sponsor's mission or business needs and whether it enhanced the sponsor's output; whether the youths were kept busy, how closely the youths interacted with supervisors and other agency staff, the quality and content of that interaction, and the supervisor-to-youth ratio; how the youths rated the experience and whether they thought it would help them get a job in the future; the skill content of the work; and the assessor's independent judgment of the overall quality of the work experience. A full listing of variables and major factors is provided in Appendix C.

These factors were analyzed for worksites grouped by Tier I and Tier II sites, by summer full-time and school year part-time status, and by sector of work sponsor. In the MDRC report on work quality, differences between the groups of worksites were only reported if quality differences on the measured factor met or exceeded the 5 percent statistical significance level (less than one chance in 20 that the difference occurred only by chance). By this significance measure, the private sector did prove distinctive from the other sectors on three factors. First, for-profit sponsors had a smaller number of youths per supervisor than public and nonprofit sectors. For example, where 56 percent of public sector worksites had a one-to-one youth to supervisor ratio, 66 percent of for-profit worksites had this low ratio. And where 15 percent of nonprofit worksites had five or more youths per supervisor, only 4 percent of for-profit worksites had a ratio this great (Ball, et al., 1980:36).

A second quality difference was the degree to which sponsors believed that the youths' work was valuable: in amount, contribution to output, and in congruence with the sponsor's mission. Private sector sponsors were somewhat less likely to value the youths' work highly than were public and nonprofit sponsors (Ball, et al., 1980: 46). This finding appears to fit with the perception of Entitlement staffs that businesses may be somewhat more critical about the value of employing Entitlement enrollees than the other sectors.

A third difference -- and significantly different among the three sectors -- was the youths' perception of the value of the work experience. On a scale which included factors such as the youths' perceptions that the work would help them gain job skills, a job reference, a job in the future, and a belief that their work was of value to the employer, youths at private sector worksites gave their experience higher ratings than youths at public or nonprofit worksites. While there may have been some selection bias involved in assigning more motivated or job-future-oriented youths to private sector worksites, the youths' perceptions are consistent with the findings reported in Chapter 4: that nearly one-fifth of the private work sponsors surveyed in May 1980 had hired Entitlement youths on their own payroll.

On other factors, worksites in public, nonprofit and for-profit worksites did not differ from each other to a statistically significant degree. When asked whether youths were kept busy, 88 percent of the work sponsors, 81 percent of the youths at the worksites, and 67 percent of the site assessors reported that the youths were busy most or all of the time and there were no significant inter-sectoral differences among the ratings given by any of the three observers. The frequency, quality, and content of supervisor-youth interactions also did not significantly vary between sectors. Further, there were no differences on an aggregate index of positive job characteristics.

Site assessors assigned an overall rating to the quality of each worksite they visited, based upon their own synthesis of all the characteristics they had been asked to observe. Their overall finding was that at least 87 percent of all worksites they had visited were adequate, good or outstanding, and only 13 percent were of inadequate quality. Assessor ratings among sectors did not differ at the level of confidence reported in the work quality study; there were some differences, but at a significance level of only .25, indicating there was one chance in four that the differences might be the result of sampling variability. The assessor scores are distributed by sector in Table 21, primarily to show the general similarity among them. Noting that any apparent differences should be regarded with caution, the principal distinction is the somewhat higher incidence of "outstanding" worksites, and the somewhat

Table 21

PERCENTAGE DISTRIBUTION OF RATINGS OF WORKSITE QUALITY FOR A SAMPLE OF WORK SPONSORS ACTIVE BETWEEN SEPTEMBER 1978 AND NOVEMBER 1979, BY SECTOR OF WORK SPONSOR

Assessor Worksite Rating	Sector of Work Sponsor			
	For Profit	Public	Not-For-Profit	All Sectors
Outstanding	18.0	12.3	9.3	13.5
Good	36.5	34.1	33.8	34.9
Adequate	32.8	40.2	43.0	38.3
Inadequate	12.7	13.4	13.9	13.3
Total	100.0	100.0	100.0	100.0
Number of Worksites Assessed	189	180	151	520

SOURCE: Field assessments of a random sample of 520 Entitlement worksites, conducted as part of MDRC's Quality of Work study. See Ball et al, 1980.

NOTES: Each worksite in the sample was assigned an overall rating of quality according to the four categories indicated in the table. A detailed description of the assessment methodology can be found in Appendix C and in the published final report of the Quality of Work study.

Differences between the sectors are significant at the .25 level, as measured by Chi-square test.

98

smaller proportion of "adequate" worksites in the private sector. There was not a distinctly smaller share of inadequate worksites in the private sector.

The findings of the work quality study thus do not square with the expectations of many prime sponsor staff that there would be notable quality differences between private and public or nonprofit worksites. It may be that prime sponsor perceptions were colored by their experience with the summer youth employment program in earlier years, which was criticized in some evaluations for having a high number of large worksites in public and nonprofit agencies where so many youths were assigned that it was often difficult to find enough productive activity for them. This problem was generally minimal in the Youth Entitlement demonstration.[1]

Additionally, prime sponsor staffs seem to have partaken of the general myth in America that public agencies, operating on budgets and not sales revenues, have less incentive to avoid "make-work" jobs. While this is probably true to some extent, the tightness of local budgets in the 1970s, combined with the year-round job assignments and relatively small numbers of youths assigned per worksite in Entitlement, may have dampened this tendency.

Work Quality and Displacement in the Private Sector

In the 1977 Youth Act, Congress impressed a dual mandate upon prime sponsors who developed subsidized work experience opportunities for youths. On the one hand, it said that the jobs should be real and meaningful, not "make-work." On the other, jobs created with a subsidy were not meant to displace opportunities for workers who would otherwise have been employed. There should be a net creation of new jobs. Implementing these two mandates together, each in itself with an apparently clear policy intent, may pose a dilemma. If jobs created are meaningful and not superfluous to an employer's needs, then might the employer not hire someone without a subsidy to perform them? Is it the case that the higher the quality of the job (and therefore the less likely that it is make-work), the greater the likelihood that the employer will displace someone else by accepting a subsidized youth?

---

[1] Compare, for example, General Accounting Office, 1979, and General Accounting Office, 1980.

The work quality study in Entitlement offered the possibility of exploring whether such a relationship might have existed. To examine this question, site assessors who visited private sector worksites in the summer and fall of 1979 were trained to use a field evaluation methodology which assessed the degree of displacement that had likely occurred.[1] Since the assessors also assigned an overall quality rating to each of these worksites, it was possible to examine any interrelationship between displacement and work quality.

There is no simple answer to the question, "Would an employer otherwise have hired someone to do the work asigned to a subsidized youth?" One must assess the previous hiring pattern of the employer, the employer's pattern of growth or decline, and the employer's hiring plans before any subsidy opportunity existed. A job created with a subsidy may also be partly a new position and partly some displacement of work for which an employee might have been hired or a supplier contracted. The categories of job creation and displacement, and the concept of partial displacement, are discussed at some length in Appendix C.

---

[1] The evaluation method utilized was a modification of the field network evaluation strategy developed by the Brookings Institution for the study of displacement in CETA public service employment programs. The private sector displacement estimates in this report should be regarded as preliminary. A more elaborate analysis of displacement in public, nonprofit, and private sector worksites, using two estimation methods, is currently being conducted by Unicon Research Corporation under contract to MDRC. Results of that analysis will be available in July 1981.

Using the results of the displacement estimation methodology, the degree of displacement was regressed against assessor quality ratings, while controlling for a range of factors that included sponsor industry, size, employer's perception of the advantages in sponsoring Entitlement youths, and other factors. The analysis reveals that there is indeed a relationship between the work quality rating and degree of displacement. Compared to worksites judged inadequate, worksites assessed as "adequate" displayed 14 percent more displacement, those found "good" showed 18 percent more, and those found "outstanding" showed 22 percent more displacement. Only the last coefficient, however, was statistically significant.

Considering the quality factors which influenced site assessor scores (See Ball, et al., 1980: 70) -- the degree to which youths were kept busy, the skill and training content of the job, the degree to which the work sponsor valued the youth's contribution, and other factors -- work sponsors who did not have enough work, whose work was simple and repetitive, and who did not think the work particularly important were less likely to displace work for others. Unfortunately, these very characteristics are not desirable attributes of a work experience that is intended to foster good work habits for youths. The work quality study found that the youths themselves valued these kinds of experiences less, and that they perceived their jobs to be more meaningful if they believed the employer needed the work they were doing.

The congressional rationale prohibiting "make-work" is clear, particularly in connection with an exemplary work experience for teenagers. The matter of displacement and its impacts, on the other hand, appears to encompass several implicit policy judgments, some of which may compete with each other. To the extent that displacement can be accurately estimated -- a subject of some dispute, given the necessity to unravel employers' intentions in the absence of a subsidy -- policymakers might attach higher priority to avoiding some types of displacement over others.

The question to consider is, "Who is being displaced, to the extent that it occurs?" If Entitlement participants, who are economically disadvantaged, simply get a work experience at the expense of other poor youths, the net benefit to society is problematical, although policymakers might consider whether the participant's agreement to stay in school is worth rewarding. If those displaced are disadvantaged adults, policymakers should balance whether the "social investment" in poor youths is worth the foregone work opportunity for disadvantaged adults, or whether it is more important to protect adult breadwinners. If the displaced are non-poor youths -- particularly if they have a broader range of alternatives available to them -- is the redistributive effect an acceptable one? Of course, displacement and redistributive effects are reduced to the extent that a local economy is expanding. Unfortunately, that is not the situation in many of the communities that have high concentrations of disadvantaged youths and adults.

Another set of questions that might affect the policy consideration of displacement is "What firms benefit, in what ways, from exploiting subsidized displacement, and to what extent is that inconsistent with program purposes and other policies?" One factor to note is that, displacement aside, firms sponsoring Entitlement youths will probably not get as much output from those youths as from more experienced workers or from workers hired without a subsidy. That part of the subsidy which pays for "training" costs, in return for the employer accepting a youth who would not otherwise have been hired, may be socially equitable. This is the rationale behind subsidizing on-the-job training of disadvantaged workers. Beyond that, however, if an employer benefits from full or partial displacement, policymakers might consider whether the additional subsidy above foregone productivity is a fair reward to a socially conscientious employer.

A related question points to a different cluster of policy concerns. If the firms most likely to accept subsidized Entitlement participants are young firms struggling to get established (as the wage subsidy experiment indicates), and if those firms are located in economically distressed neighborhoods (as was the case with many Entitlement work sponsors), then some subsidy reward to their enterprise might be considered an economic development investment. Of course, a completely "free" enterprise philosophy would argue against prolonging the life of a marginal business, and against any other form of tax or budget subsidy to business.

The available data do not indicate which of these displacement impacts was most prominent with private sector work sponsors in Entitlement, although there is reason to believe that all were present to some extent. It is characteristic of policy mandates -- and congressional intents in YEDPA and CETA are no exception -- not to articulate priorities among the spillover costs (or benefits) that may result from that policy. Nor does the simple argument of economic efficiency -- that subsidizing employment should add a full increment to output -- offer clear guidance where there is the kind of public-private entanglement that characterizes advanced economies like the United States. A flat prohibition against displacement, while appealing from an economic efficiency viewpoint and supported by some interests, may neglect important values and competing interests. Presumably, better policy would arise from a more conscious balancing of those values and interests. Clearly, however, if there is a strong emphasis in youth employment programs on avoiding "make-work," part of the price of subsidizing private sector work sponsors is some degree of displacement.

Summary and Conclusion: Substantial Benefits Tempered by Attendant Costs

From the perspective of the Entitlement operators concerned with providing good work experience for youths, there were clearly several benefits in recruiting private sector businesses. First, access to the private sector facilitated the provision of work experience to all enrollees. Many private businesses were located within the participants' neighborhoods, and enrollees found it easier to work the 10-15 hours per week after school. Youths who were assigned to private employers also tended to value the experience more highly than youths assigned to other sponsors. Furthermore, the great majority of employers were generally satisfied with the performance of the participants assigned to them and the program staff who assisted them. One-fifth of the private businesses subsequently hired Entitlement youths onto their own payrolls.

That the quality of private sector worksites was not found to be distinctively better than the more traditional public or nonprofit worksites, contrary to prime sponsor expectations, and that there is displacement in the private sector which increases with quality, indicate, however, that the private sector option was not an unalloyed benefit. Additionally, the unwillingness of many private businesses to participate as work sponsors, even at full subsidy, raised the cost of recruiting them. Their greatly reduced responsiveness to smaller subsidy levels also may raise some question about the ease of replicating a youth job guarantee (or other youth work experience programs) with a strong private sector emphasis.

As discussed, the conditions surrounding the wage subsidy experiment on balance probably constrained business incentives so that the findings may be a lower bound estimate of business participation in Entitlement. The full subsidy participation rates over the course of the demonstration, had they been systematically measured, would probably have been higher than the 18 percent participation rate of the Baltimore and Detroit experimental firms. Even presuming that these take-up rates could have been as high as 25 percent, this still means that prime sponsors would have had to allocate a fairly large share of job development resources to recruit private businesses, contacting four businesses to sign up one work sponsor -- who would usually employ only one youth. This contrasts with procedures for recruiting public or nonprofit sponsors who generally sponsor youths each summer, and where lining up commitments is more a matter of simply asking those agencies how many youths they have work for and can effectively supervise.

Recruitment costs at the front end generate follow-up and liaison costs as well, which were greater for private work sponsors than for sponsors in the other sectors given the smaller number of youths assigned per sponsor. A reasonable estimate about recruitment and ongoing liaison efforts, with the differences in strategy and youth assignment patterns, is that it costs three to four times as much per employer to recruit and work with a private sector sponsor. And, if the Entitlement legislation had imposed a 50 or 75 percent ceiling on the subsidy to the private sector, the subsidy variation experiment findings indicate that the recruitment cost per sponsor might have been doubled or quadrupled again. Further, if employers who were asked to pay part of the wage cost would not participate as long, being more readily frustrated by problems with youths or program administration, then recruitment costs would increase even more.

The fact, therefore, that Entitlement prime sponsors recruited large numbers of private employers -- in the face of a relatively greater burden on staff resources and the rather small proportion of resulting job hours -- is testament to the general enthusiasm which many of them shared for making a link to the private sector. Part of the inducement for this level of effort on their part was the program requirement for guaranteeing year-round work experience to all eligible youths who enrolled. In another sort of youth program -- with fixed slot levels and the corresponding boundaries on administrative staff budgets -- prime sponsors might not have sustained their enthusiasm for an ongoing private sector component, especially if lower subsidy levels made recruitment even more difficult.

There were, of course, other benefits to the subsidy than the greater ease of the guarantee. The most notable of these is probably the greater likelihood that private employers will subsequently hire youths onto their own payroll; this has always been a principal rationale for private sector strategies in manpower programming. It would be an overstatement with youth work experience programs, however, to characterize great proportions of these private sector job placements as "permanent" jobs. The after-school and summer jobs which high school youths take do not often lead to stable employment with the same employer, or even in the same occupation. Changing jobs and episodic labor force attachment are fairly typical of teenagers. Entitlement does, however, provide a private sector opportunity to a disadvantaged youth who otherwise might not have found such a job. Experience in the private sector -- where a job may seem more "real" to a youth or be perceived as a good credential for future employment -- might offer a positive inducement to learning job skills.

The wage subsidy experiment findings invite one more observation. When private employers were asked to commit themselves to a temporary work experience for disadvantaged teenagers, less than one-fifth of those who were proffered a full wage subsidy agreed to participate. Only

5 percent of the employers asked to pay $1.65 per hour (half of the 1980 minimum wage) agreed to the bargain. The particular circumstances of the subsidy variation experiment should be borne in mind, of course, and employers would undoubtedly face different incentives in considering whether to hire a youth on the regular payroll. Nonetheless, the notable lack of employer demand for disadvantaged Entitlement participants may raise questions about private sector responsiveness to hiring poor and minority youths at costs below the minimum wage, were the Fair Labor Standards Act to be so amended.

APPENDICES

APPENDIX A

THE WAGE SUBSIDY VARIATION EXPERIMENT

The discussion in Chapter 3 of the Wage Subsidy Variation Experiment relies on two sources of data, experimental job contact record cards and a survey of a sample of employers conducted by MDRC. These data are described below, along with the methods used to produce regression adjusted participation rates with the survey data.

Data on the overall experimental sample were collected through job contact cards filled out by experimental job developers. These cards were used to keep track of experimental employer contacts and to indicate the number of firms in Baltimore and Detroit that accepted the Entitlement offer at each subsidy level. Table A-1 shows the number of firms contacted and agreeing to participate at each site and subsidy level. These figures are used to calculate "raw" participation rates. It is notable that participation at the two sites differs, with more firms agreeing to participate at a 100 percent wage subsidy in Baltimore than in Detroit. Within each site, participation at the partial subsidy is significantly lower than participation at the full subsidy.

The job contact cards are useful in identifying the overall universe of experimental firms but not very useful in describing them. To further describe the firms contacted during the experiment and identify factors which influence participation, a telephone survey was conducted on a random sample of these firms. Eight separate samples were drawn to reflect the different subsidy levels and positive or negative responses to the program offer at different sites.

Because of the small number of lower-subsidy acceptors (less than 50

Table A-1

PARTICIPATION RATE OF PRIVATE SECTOR EMPLOYERS IN THE WAGE SUBSIDY VARIATION EXPERIMENT BY SITE AND SUBSIDY LEVEL

Site and Subsidy Level	Number of Employers Contacted	Number of Employers Agreeing to Participate	Participation Rate[a]
Baltimore			
50% Wage Subsidy	610	46	7.5%****
100% Wage Subsidy	561	113	20.1%
Detroit			
75% Wage Subsidy	569	44	7.7%****
100% Wage Subsidy	519	81	15.6%
Total	2259	284	12.6%

SOURCE: Tabulation of Wage Subsidy Variation record cards filled out by job developers in Baltimore and Detroit.

NOTES: These figures update figures reported in Felder, Research Design and Implementation Report: The Wage Subsidy Variation of the Youth Entitlement Project, SRI International, 1980. Figures in this table reflect the elimination of duplicate record cards and the resolution of all cases identified as "pending" in Felder report. Pending firms that signed worksite agreements by August of 1980 are counted here as participating. Pending firms that had not signed agreements as of this date are treated as non-participants, regardless of whether they indicated an interest in future participation.

[a] "Participation rate" refers to the percent of the employers contacted that agreed to participate as work sponsors.

[b] The t-statistic for the difference between take up rates for 50% and 100% subsidy levels in Baltimore is 6.30. The t-statistic for the difference between take up rates for the 75% and 100% subsidy levels in Detroit is 4.06. Significance is measured by two-tailed tests.

****Significant at the 0.1 percent level.

at each site), all employers in this group were included in the sample. The remaining strata were sampled so that each would be similar in size to the lower-subsidy acceptor strata. The remaining sample members were drawn randomly from within their strata at rates necessary to obtain the desired sample sizes. In all, some 535 firms were included in the sample, out of which 311 interviews were completed, representing a 58 percent response rate. Response rates were lower among refusers (46 percent) than among acceptors (72 percent), and lower in Detroit (52 percent) than in Baltimore (61 percent). The proportion of firms within each stratum in the universe of job contact record cards and in the survey sample is shown in Table A-2. Table A-2 also shows the weights which were used to estimate the characteristics of the population of firms contacted during the Wage Subsidy Variation Experiment. Weights are necessary since the relative size of each stratum of the sample differs from the size of the same stratum in the population of employers contacted.

The questionnaire asked employers whether they had agreed to participate as work sponsors, for descriptive information on their firms, and for the reasons for their participation decision. Interviews were conducted in August 1980 by experienced telephone interviewers on consultant contract to MDRC, and took approximately five minutes to complete. The questionnaire will be sent to interested researchers on request.

Wage Subsidy Variation Experimental data were gathered at only two sites. If generalizations are to be made from these data, it is important to be able to determine how similar the experimental firms are to the universe of all firms in the two sites, and whether the characteris-

Table A-2

CALCULATION OF WEIGHTS APPLIED TO WAGE SUBSIDY VARIATION SURVEY DATA FOR USE IN PROJECTING OUTCOMES OF THE WAGE SUBSIDY VARIATION EXPERIMENT

Site and Subsidy Level	Proportion in Experiment (A)	Proportion of Sample (B)	Weight for Regression (C)
Baltimore Observations			
Agreed at 100% Subsidy	5.0	17.9	0.280
Agreed at 50% Subsidy	2.0	11.0	0.185
Refused at 100% Subsidy	19.9	12.0	1.653
Refused at 50% Subsidy	25.0	14.9	1.674
Detroit Observations			
Agreed at 100% Subsidy	3.6	12.7	0.284
Agreed at 75% Subsidy	2.0	11.4	0.172
Refused at 100% Subsidy	19.4	10.4	1.864
Refused at 75% Subsidy	23.2	9.7	2.380
Total Number of Observations	2256	308	N.A.

SOURCE: Tabulation of Wage Subsidy Variation record cards filled out by job developers in Baltimore and Detroit, and data from the Wage Subsidy Variation Survey.

NOTES: Weights, column (C), are calculated by dividing the proportion in column (A) by the proportion in column (B).

Weights for Regression estimates were based on the 308 cases in the sample in which employers were clearly participants or non-participants. A total of 311 firms were interviewed, but three of these were found to be pending. They had been contacted by the Entitlement program, were waiting for recontact and expressed an interest in participation. These firms were not treated as either participants or non-participants because of their ambiguous status.

Weights for frequency distributions included in Table A-5, where no participation rates are calculated, are based on all 311 cases in the survey sample, with the three pending cases included in the strata from which they were originally drawn.

tics and behavior of the participating firms in the sample are typical of the demonstration as a whole. The evidence available for comparison is limited, but some information can be brought to bear on both questions.

The characteristics of firms approached in Baltimore and Detroit during experimental job development can be compared with the characteristics of all firms in these cities in a rough way using data on employers in Baltimore and Detroit from County Business Patterns. County Business Patterns rely on FICA tax data to count the number of employers in U.S. counties by size and sector. There are some problems, however, in comparing FICA data with survey data. All non-public employers whose employees are covered by FICA are included, so that some nonprofits are counted in this data.[1] Also, FICA data are available only for the City of Baltimore and for Wayne County Michigan, the boundaries of which are not coterminous with the areas of experimental job development. Despite these factors, the comparisons of the distribution of employers by size and sector in County Business Patterns with similar distributions from the Wage Subsidy Variation Survey, in Table A-3, show that firms approached during the experiment are not extremely atypical of firms paying FICA in the same county.

Evidence of the similarity between firms approached by experimental job developers and other Entitlement work sponsors can be drawn from comparisons of the Wage Subsidy Variation survey data with data from two other MDRC surveys at 12 demonstration sites: the May 1980 Work Sponsor

---

[1] County Business Patterns data in Table A-3 exclude educational institutions since these are not treated as private sector work sponsors in Entitlement even if they are private profit-making institutions.

Table A-3

PERCENTAGE DISTRIBUTION OF ALL PRIVATE EMPLOYERS IN BALTIMORE AND DETROIT THAT PAID SOCIAL SECURITY TAXES IN 1978, AND OF A SAMPLE OF THE PRIVATE EMPLOYERS IN THOSE CITIES THAT WERE CONTACTED IN THE WAGE SUBSIDY VARIATION EXPERIMENT BY NUMBER OF EMPLOYEES AND INDUSTRIAL TYPE

	Percent of Private Employers			
	Baltimore		Detroit[b]	
Employer Characteristics[a]	Paid FICA in 1978	Wage Subsidy Variation	Paid FICA in 1978	Wage Subsidy Variation
Number of Employees:[c]				
0-4	48.8	27.6	47.7	38.5
5-9	20.4	33.8	21.1	29.6
10-19	14.3	15.8	15.0	17.4
20-49	9.9	15.5	9.9	8.3
50-99	3.5	1.8	3.5	3.5
100-249	2.0	4.4	1.8	2.7
250-499	0.6	0.1	0.6	0.0
500-999	0.2	0.0	0.2	0.0
1000+	0.2	1.1	0.3	0.0
Total	100.0	100.0	100.0	100.0
Industrial Type:				
Agriculture/Forestry/ Mining/Construction	6.8	0.6	7.3	7.5
Manufacturing	7.7	7.7	9.4	5.3
Transportation	4.0	3.5	3.6	0.0
Trade	36.3	52.5	38.4	65.6
Finance/Insurance/Real Estate	11.3	9.3	8.0	3.2
Services	32.6	26.4	30.9	18.4
Miscellaneous	1.6	0.0	2.4	0.0
Total	100.0	100.0	100.0	100.0

SOURCE: Wage Subsidy Variation Survey Data, and County Business Patterns (Wayne County and Baltimore 1978) published by the Department of Commerce in 1980.

NOTES: Percents may not sum to 100 due to rounding. The Baltimore Wage Subsidy Variation data are for 161 cases. The Detroit Wage Subsidy Variation data are for 151 cases.

[a] These data exclude educational institutions.

[b] Detroit data are for Wayne County, which includes areas outside Detroit city limits.

[c] Number of employees is the sum of the number of part-time and full-time employees.

Survey and the 1979 Quality of Work survey.[1] In all three surveys, participating employers were asked: "Why did you decide to participate in the program?" The responses on the three questionnaires, shown in Table A-4, indicate a basically similar pattern.

It is also possible to compare the industrial composition of firms participating in the Wage Subsidy Variation experiment with that of other Entitlement work sponsors. The distribution of firms agreeing to participate in the Wage Subsidy Variation experiment turns out to differ from the distribution of active work sponsors by industry in September 1979 as measured by the 1980 Work Sponsor Survey. Far fewer manufacturing firms (2.1 percent) turned up in the former sample than in the latter (8.1 percent). When the differences between these percentages is tested using a two-tailed t-test, the resulting statistic is 2.74, which is significant at the 1 percent level. The difference may indicate that fewer manufacturers were willing to participate in the bad economic conditions of the spring of 1980 than in the better conditions of September 1979, or a difference between the receptiveness of manufacturing firms to the Entitlement offer in the two Wage Subsidy Variation cities versus other demonstration cities.

Use of the weighted survey sample makes it possible to estimate the characteristics of firms contacted during the Wage Subsidy Variation Experiment. Table A-5 shows the characteristics of these firms on a variety of measures. Data on these characteristics were used to produce regression estimates of participation. Regression estimates are valuable

---

[1] These surveys are discussed further in Appendices B and C.

Table A-4

PERCENTAGE DISTRIBUTION OF REASONS FOR PARTICIPATION OR PERCEIVED ADVANTAGES OF PARTICIPATION REPORTED BY THREE SAMPLES OF PRIVATE SECTOR WORK SPONSORS, BY PERCENT OF SPONSORS REPORTING EACH REASON/ADVANTAGE

	Quality of Work/ Labor Market Survey[a]	May 1980 Work Sponsor Survey[a]	Wage Subsidy Variation Survey[b]	
Reasons for or Perceived Advantages of Participation	Percent of Sponsors Reporting Advantage[c]	Percent of Sponsors Reporting Advantage[c]	Percent of Sponsors Reporting Reason[c]	Percent Reporting Reason as Most Important
Cheap labor, no wage cost	71.2	54.0	57.8	32.9
Chance to do something for disadvantaged youth	56.8	64.3	67.1	47.9
Chance to look over unskilled workers for possible later hire	28.0	12.1	19.3	8.7
Possibility of expanding output temporarily	12.8	12.1	15.5	5.6
Chance to have motivated youth willing to both study and work	11.2	18.7	2.5	1.2
Minimal paperwork	4.0	7.2	0.6	0.0
Chance to employ specific youth known to employer	3.2	6.8	1.2	1.2
(Other)	0.0	6.2	5.0	1.8
(None Mentioned)	2.4	3.9	0.0	0.0
Total Number of Advantages or Reasons Reported	234	917	274	—
Total Number of Sponsors Interviewed	125	513	161	161

SOURCE: Responses of samples of private sector employers interviewed in three different surveys. The Quality of Work/Labor Market Survey was administered to a subset of 125 firms surveyed during the Quality of Work Survey effort in the Summer and Fall of 1979. The May 1980 Work Sponsor Survey was administered to a sample of 513 private sector Entitlement work sponsors who had employed Entitlement youths in September 1979. The Wage Subsidy Variation Survey was administered to 311 private sector employers in Baltimore and Detroit who had been approached as a part of the Wage Subsidy Variation Experiment. Experimental job development was conducted in the Spring of 1980 and interviews were conducted in August 1980. These surveys are further described in this appendix (Wage Subsidy Variation), Appendix B (May 1980 Work Sponsor Survey) and Appendix C (Quality of Work Survey).

NOTES: [a] Sponsors interviewed in these two surveys were asked what advantages to participation they had perceived when they had originally agreed to be a work sponsor.

[b] Sponsors interviewed in this survey were asked why they had agreed to become a work sponsor, and then to indicate which reason had been most important in deciding.

[c] Percents in these columns do not sum to 100 due to multiple responses.

Table A-5

PERCENTAGE DISTRIBUTION OF PRIVATE SECTOR EMPLOYERS CONTACTED FOR THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SELECTED EMPLOYER CHARACTERISTICS

Characteristics		Percent of Employers Contacted
Age of Establishment:	1-2 Years	13.2
	3-10 Years	39.7
	11-20 Years	20.2
	Over 20 Years	25.8
	No Response	1.1
Had Prior Experience with Youth Employees:	Yes	59.3
	No	40.8
Had Prior Experience with Employment and Training Programs:	Yes	15.4
	No	84.6
Change in Level of Regular Employment over Last Year:	Increase	15.5
	No Change	55.5
	Decrease	28.4
	No Response	0.6
Manager's Description of Financial Condition:	Doing Pretty Well	29.6
	Doing OK	48.3
	Not Doing Too Well	20.1
	No Response	2.0
Manager's Description of Profitability:	Moderately or Highly Profitable	57.0
	Barely or Not Profitable	36.3
	No Response	6.7
Industry Type:	Manufacturing	6.5
	Non-Manufacturing	93.5
Workers Unionized:	Yes	4.6
	No	95.4
Size of Firm in Full-Time Equivalencies:[a]	0-4.5 Employees	32.5
	5-19.5 Employees	47.6
	20-99.5 Employees	14.5
	100 or more Employees	4.2
	No Response	1.3
Total Sample		100.0
Sample Size		311

SOURCE: **Wage Subsidy Variation Survey data.**

NOTES: Survey responses were weighted as described in Table A-2 to estimate the characteristics of the firms contacted by job developers during the experiment. Percents may not sum to 100 due to rounding.

[a] Full-time equivalencies are measured by counting each part-time employee as one-half of a full-time employee. Employers with no paid employees other than Entitlement workers, are treated as having zero employees.

as a means of describing the data while controlling for differences between firms offered different subsidy levels. Firms offered different subsidy levels in Detroit should not differ from each other in any systematic way, since subsidy levels in Detroit were assigned randomly. In Baltimore, where subsidy level was assigned on the basis of geography, systematic differences may exist between the firms offered the two subsidy levels. The regression estimates measure the impact of the subsidy level, controlling for those differences among firms which could be measured in the survey.

The regression model used to estimate participation is presented in Table A-6. This model uses a dummy variable for participation equal to one for those firms that signed worksite agreements, zero for firms that did not, and missing for the three firms that indicated they were willing to sign an agreement but had not been recontacted by job developers. The variables in Table A-6 are relatively self-explanatory. All are dummy variables except for size of firm, which is measured in full-time equivalent employees. Full-time equivalencies are estimated by counting each part-time worker as one-half of a full-time worker. The variable identifying firms located in the original Entitlement area of Baltimore was included to control for the fact that participation rates there might differ from participation rates in other areas of the city. The model produces the adjusted participation rates reported in Chapter 3. These are compared with the "raw" participation rates calculated directly from job contact record cards in Table A-7.

It is worth noting that the difference between participation rates at the 50 percent and 100 percent subsidy levels in Baltimore in the

Table A-6

COEFFICIENTS OF A REGRESSION MODEL ESTIMATING THE IMPACT OF THE SUBSIDY LEVEL AND EMPLOYER CHARACTERISTICS ON PARTICIPATION DURING THE WAGE SUBSIDY VARIATION EXPERIMENT

Variables		Coefficient	Standard Error
Manufacturing Sector		- 8.8	7.9
Size of Establishment in Full Time Equivalencies		- 0.002	0.03
Age of Establishment:	1-2 Years	+ 15.4**	7.0
	3-10 Years	+ 5.7	5.2
	11-20 Years	+ 3.8	5.8
(Comparison Group)	Over 20 Years		
Unionized Firm		- 11.1	10.0
Prior Experience with Youth Employees		+ 7.7*	4.2
Prior Experience with Employment and Training Programs		- 1.5	5.7
Change in Regular Employment over Last Year:			
	Increase	+ 11.8**	5.9
	Decrease	+ 0.2	4.7
(Comparison Group)	No Change		
Manager's Description of Financial Conditions:			
	Doing Pretty Well	+ 5.8	4.8
	Not Doing Too Well	- 1.3	5.5
(Comparison Group)	Doing OK		
Manager Described Firm as Moderately or Highly Profitable[a]		- 2.6	4.6
Firm Located in Original Baltimore Entitlement Area		+ 10.3	6.5
Subsidy Level Offered to Firm:			
	50% Subsidy Level	- 13.6***	5.2
	75% Subsidy Level	- 8.2*	4.9
(Comparison Group)	100% Subsidy Level		
Constant		+ 6.8	
Sample Size		282	
R^2 of the Regression		.092	
Standard Error of the Regression		32.58	

SOURCE: Linear regression based on data obtain from the Wage Subsidy Variation Survey. Weights used in the regression are shown in Table A-2.

NOTES: The model is based on the 282 cases for which complete data are available. The F-level for this equation is 1.677 which is significant at the 10 percent level of significance. Significance of individual coefficients is calculated using two-tailed t-tests.

[a] The comparison group in this case is all firms described as barely profitable or not profitable by their managers.

*Significant at the 10 percent level.
**Significant at the 5 percent level.
***Significant at the 1 percent level.

Table A-7

PARTICIPATION RATES AT EACH SUBSIDY LEVEL ESTIMATED BY JOB CONTACT RECORD CARDS AND BY REGRESSION

Subsidy Level	Participation Rates Estimated By Record Cards	Regression
50%	7.5%****	4.7%***
75%	7.7%****	10.0%*
100%	17.9%	18.2%
All Subsidy Levels	12.6%	12.6%
Sample Size	2259	282

SOURCE: Tabulation of Wage Subsidy Variation Experiment record cards filled out by job developers in Baltimore and Detroit, and linear regression based on data developed from the Wage Subsidy Variation Survey.

NOTES: Without weighting, the average participation rate estimated by regression would be 53%. Weights used in the regression are shown in Table A-2. The regression model used is shown in Table A-8.

Participation rates calculated from record cards for 50% and 75% subsidy levels are significantly different from the participation rate for firms offered full subsidies, where significance is measured using two-tailed t-tests. Significance tests for participation rates estimated by regression are made by comparing participation at each partial subsidy level with participation at the 100% subsidy level. Significance is measured using two-tailed t-tests on the regression coefficients for the 50% and 75% subsidy levels.

*Significant at the 10 percent level.
***Significant at the 1 percent level.
****Significant at the 0.1 percent level.

"raw" data (12.6 percent, see Table A-1) is quite close to the difference in participation at the two subsidy levels predicted by the regression model (13.6 percent). The corresponding differences between participation at the 75 percent and 100 percent subsidy levels in Detroit are even closer, 7.9 percent and 8.2 percent respectively. This shows that random assignment of subsidy level to firms in Detroit appears to have worked to control systematic differences between the 75 percent and 100 percent subsidy firms. The regression essentially averages the two 100 percent subsidy participation rates, while controlling for differences between firms at the two sites which might affect participation. This procedure is legitimate if the relationship between participation and the independent variables is similar in the two sites (see below).

Several additional variables were tested but not included in the final model. These include a variable identifying establishments as a branch of another firm or franchise, and variables identifying whether or not these firms had the authority to hire youths or participate in employment and training programs. Another variable dropped was length of time, in months, between the first contact with Entitlement job developers and August 1980, the nominal end of the Entitlement demonstration. None of these variables had much influence over participation. Although the variable denoting the length of time for which youths were known to be available from the Entitlement program might be expected to have an important influence on participation, some employers may not have been told that the program would end in August 1980, and others may have expected the program to be continued in some form after that date. The Entitlement program was, in fact, extended after August 1980, so firms which did not expect the subsidy to end turned out to be correct. Regressions were also estimated using size classes to identify non-linear relationships between size of firm and participation, but this did not show significant results.

Ordinary least squares regression normally is not regarded as appropriate for estimating equations with dummy dependent variables.[1] The relationship between participation and the independent variables described above was also estimated using a logistic regression model, which is more appropriate for such data. Unfortunately this model could not be estimated using the weighted data used to predict population parameters. The unweighted logistic regression model and a similar unweighted ordinary least squares model did, however, predict participation rates which are quite similar. The F-level for the unweighted ordinary least square model, with variables identical to the weighted model, is 2.437, which is significant at the 1 percent level of significance. The variables explain participation better in the regression without weights because the proportion of participating firms in the sample is close to 50 percent before weighting. Unfortunately, when the sample is not weighted, little can be said about participation of the population of firms actually approached by the experimental job developers. These factors, combined with the similarity between weighted participation rates and "raw" participation rates, indicate that the weighted least squares model is likely to reliably describe participation.

---

[1] A good discussion of the problems raised by the use of least squares regression for binary dependent variables is provided in Hanushek and Jackson, Statistical Methods for Social Scientists, 1977, Chapter 7.

A remaining issue in the analysis is the extent to which it is reasonable to pool data from Baltimore and Detroit to estimate one participation equation. These data should not be merged if the relationship between participation and the explanatory variables differs in the two sites. The similarity of the relationships at the two sites can be tested using analysis of covariance techniques.[1] The test for the homogeneity of the two relationships is an F-test, in which the sums of the squared residuals from the separate regressions for each site are compared with the sum of the squared residuals from a regression based on all data. The three regressions must have the same explanatory variables. The regression model shown in Table A-6 was, therefore, modified so that the two dummy variables for the two partial subsidies were replaced with one dummy variable for a full subsidy. The variable identifying firms located in the old Baltimore Entitlement area was also dropped.

The three regressions necessary to perform the analysis of covariance are shown in Table A-8. All regressions are weighted, using the weights shown in Table A-2. The F-statistic which results when the sums of the squared residuals from the three regressions are compared is 0.201. This F-level is not significant at normal levels of significance. This means that it is statistically possible to reject the hyothesis

---

[1] The procedure used here is taken from Johnston, Econometric Methods, 2nd Edition, 1972, pp.192-207.

Table A-8

COEFFICIENTS OF THREE REGRESSION MODELS ESTIMATING THE IMPACT OF SUBSIDY LEVEL AND EMPLOYER CHARACTERISTICS ON PARTICIPATION DURING THE WAGE SUBSIDY VARIATION EXPERIMENT, BY SITE

		Both Sites Combined		Baltimore Data Only		Detroit Data Only	
Characteristics		Coefficient	Standard Error	Coefficient	Standard Error	Coefficient	Standard Error
Manufacturing Sector		- 7.9	7.7	- 3.9	11.9	- 9.3	12.3
Size of Establishment in Full Time Equivalencies		- 0.009	0.03	- 0.01	0.03	- 0.1	0.1
Age of Establishment:	1-2 Years	+ 13.7**	6.8	+ 19.7*	10.3	+ 6.7	10.2
	3-6 Years	+ 5.3	6.3	+ 6.8	10.5	+ 5.1	8.4
	7-10 Years	+ 6.0	6.0	+ 8.1	9.7	+ 6.5	8.8
	11-20 Years	+ 3.7	5.9	+ 3.8	9.2	+ 3.0	8.2
(Comparison Group)	Over 20 Years						
Unionized Firm		- 9.4	10.0	- 0.9	19.7	- 13.4	12.3
Prior Experience with Youth Employees		+ 8.0*	4.2	+ 8.1	6.6	+ 10.2*	6.[illegible]
Prior Experience with Employment and Training Programs		- 0.03	5.7	+ 7.8	10.6	- 3.1	7.2
Change in Regular Employment over Last Year:							
	Increase	+ 12.6**	5.9	+ 11.6	8.4	+ 12.5	10.0
	Decrease	- 0.7	4.8	+ 1.0	8.3	- 0.3	6.5
(Comparison Group)	No Change						
Manager's Description of Financial Condition:							
	Doing Pretty Well	+ 5.5	4.8	+ 4.7	7.2	+ 4.7	7.5
	Not Doing Too Well	- 1.1	5.6	- 1.9	9.9	- 1.4	7.2
(Comparison Group)	Doing OK						
Manager Described Firm as Moderately or Highly Profitable		- 2.0	4.6	- 2.9	7.9	- 1.3	6.1
Full Subsidy Offered to Firm		+ 9.9**	4.1	+ 14.2**	6.5	+ 7.1	6.0
Constant		- 2.7		- 6.6		- 0.4	
Sample Size		264		140		144	
R^2 of the Regression		.082		.105		.076	
Standard Error of the Regression		32.76		35.45		31.61	

SOURCE: Linear regression based on data obtained from the Wage Subsidy Variation Survey. Weights used in the regressions are shown in Table A-2.

NOTES: The model is based on the 284 cases for which complete data are available. The F level for the first equation is 1.61, which is significant at the 10 percent level of significance. The F levels for the second two equations are 0.97 and 0.70 respectively, which are not significant at accepted levels of significance. Significance of individual coefficients is calculated using two tailed t-tests.

*Significant at 10 percent level.
**Significant at 5 percent level.

that there are no significant differences between the participation equations measured for the two sites, and that data from the two sites can be safely pooled. A similar analysis was conducted on the unweighted sample with similar results.

APPENDIX B

SURVEY OF ACTIVE WORK SPONSORS

The data used in Chapter 4 are drawn primarily from the MDRC May 1980 Work Sponsor Survey. This appendix describes that survey, the regression models used to estimate work sponsor retention, and other data relevant to the analysis in Chapter 4.

The May 1980 Work Sponsor Survey was administered to a sample of private sector work sponsors who employed Entitlement youths in September 1979. The universe of such firms was identified through the Entitlement Information System, which is MDRC's management information system for the Entitlement Demonstration. It contains cleaned data on the monthly status of all Entitlement work sponsors.

Work sponsors were sampled in all Tier I sites and at the five Tier II sites which had more than a handful of private sector worksites. The universe of firms and final sample sizes for the survey are described, by site, in Table B-1. Firms were sampled in four strata that were made up of firms still employing Entitlement youths by January 1980 and firms not active at that date in Tier I and Tier II programs. The largest stratum contained Tier I firms active in January 1980, and 25 percent of the firms in this stratum was sampled. The remaining strata were sampled at a 50 percent rate. Samples were selected randomly within strata, except that firms interviewed in the Quality of Work Surveys (see Appendix C) were not used.

The stratification scheme described above deliberately oversampled firms inactive as of January 1980 and firms in Tier II sites, which raised the possibility that the sample would not accurately represent

Table B-1

DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS ACTIVE IN SEPTEMBER 1979, AND INTERVIEWED IN MAY 1980, BY SITE

Site	Number Active	Number Interviewed
Tier I		
Baltimore	308	54
Boston	363	77
Cincinnati	123	23
Denver	131	36
Detroit	523	96
King-Snohomish	103	27
Mississippi	449	84
Total Tier I	2,000	397
Tier II		
Hillsborough	34	11
Monterey	57	21
New York	125	49
Philadelphia	41	16
Syracuse	54	19
Total Tier II	316	116
Total Sample	2,316	513

SOURCE: Monthly Performance Report data from the Entitlement Information System and survey records for the May 1980 Work Sponsor Survey.

the universe of firms from which it was selected. Weights similar to those calculated for the Wage Subsidy Variation Survey were, therefore, calculated for May 1980 Work Sponsor Survey data. Examination of weighted and unweighted frequencies of employer characteristics and behavior showed that the weights made very little difference. Some 88.2 percent of work sponsors employing Entitlement youths in September 1979 remained willing to do so in May 1980, according to the weighted data, as opposed to 86.9 percent in the unweighted data. These weights were not used in the analysis presented in Chapter 4, which means that estimates of work sponsor retention presented in that chapter are slightly conservative.

Interviews were conducted by experienced telephone interviewers working under consultant contract to MDRC. Interviews lasted approximately 20 minutes. Copies of the questionnaire are available to interested researchers on request.

Several of the questions asked in the questionnaire and discussed in Chapter 4 pertain to employer experiences with, and reaction to, prime sponsor subsidy reduction plans, described in Chapter 2. The characteristics of the plans submitted by the various prime sponsors are described in Tables B-2 and B-3. In most cases employers were required to pay at least 50 percent of Entitlement wages for any youth placed with their firm for more than 12 months.

The regression model used to predict work sponsor retention in Chapter 4 was estimated using a logistic repression model, and is shown in Table B-4. The dependent variable is a binary variable equal to one if a work sponsor employed, or expressed a willingness to employ,

Table B-2

PROCEDURES ESTABLISHED BY TIER I PROGRAM OPERATORS
TO REDUCE THE LEVEL OF WAGE SUBSIDY FOR YOUTH ASSIGNED
TO PRIVATE SECTOR WORK SPONSORS

Site	Subsidy Reduction Procedures
Baltimore	Employer is asked to pay 100% of wages at 6 months if employer rated youth as very good or better, but payment is not mandatory. Employer pays 50% of wages at 12 months if employer rated youth as very good or better.
Boston	Procedure identical to that of Baltimore.
Cincinnati	Employer is asked to pay 25% of wages at 6 months, but payment is not mandatory. Regardless, employer pays 50% of wages at 12 months, 75% of wages at 18 months, and 100% of wages at 24 months.
Denver	Employer pays 50% of wages at 12 months and 100% of wages at 18 months.
Detroit	Employer pays 25% of wages at 6 months and 50% of wages at 12 months.
King-Snohomish	Employer pays 50% of wages at 12 months and 100% of wages at 18 months.
Mississippi	No subsidy reduction plan. Employer pays 25% of wages from date of employment.

SOURCE: Subsidy reduction plans submitted to MDRC by prime sponsors.

Table B-3

PROCEDURES ESTABLISHED BY TIER II PROGRAM OPERATORS TO REDUCE THE LEVEL OF WAGE SUBSIDY FOR YOUTH ASSIGNED TO PRIVATE SECTOR WORK SPONSORS

Site	Subsidy Reduction Procedures
Alachua County	Employer pays 50% of wages for second half of a contracted period based on length of time before youth graduates.
Albuquerque	Employer pays 25% of wages at 6 months and 50% of wages at 12 months.
Berkeley[a]	For short-term placements, the employer pays 100% of wages at 6 months if employer evaluates youth as employable. For long-term placements, the employer pays 25% of wages at 6 months, 50% of wages at 9 months, 75% of wages at 12 months, and 100% of wages at 15 months if employer evaluates youth as employable.
Dayton	No subsidy reduction plan. Employer pays 50% of wages from date of employment.
Hillsborough	Employer pays 50% of wages at 12 months, 75% of wages at 18 months and 100% of wages at 24 months.
Monterey County	Employer pays 25% of wages at 6 months, 50% of wages at 12 months, hires youth at 18 months. Employer pays same percentage at 6 and 12 months of the difference between minimum wage and regular entry-level wage.
New York	Employer pays 50% of wages at 12 months.
Philadelphia	Employer pays at least 25% of wages at 6 months, and up to 50% depending on rating of youth. The same procedure is followed at 12 months if the employer is paying less than 50%. Employer pays 100% of wages at 18 months.
Steuben County	No subsidy reduction plan. No private sector worksites.
Syracuse	Employer pays 25% of wages at 6 months and 50% of wages at 12 months.

SOURCE: Subsidy reduction plans submitted to MDRC by prime sponsors.

NOTE: [a] If a Berkeley employer evaluates the youth as unacceptable, youth is removed from worksite.

Table B-4

COEFFICIENTS FOR A LINEAR REGRESSION MODEL ESTIMATING THE IMPACT OF WORK SPONSOR CHARACTERISTICS, EMPLOYER EXPERIENCES, AND PRIME SPONSOR CHARACTERISTICS ON WORK SPONSOR RETENTION

Variables		Coefficient	Standard Error
Industry Type:	Manufacturing	+4.6	6.8
	Trade	+7.2	4.8
	Service	+0.07	5.0
(Comparison Group)	Other Sectors		
Size of Establishment in Full-Time Equivalencies		+0.01	0.01
Prior Experience with Youth Employees		+4.8	3.0
Prior Experience with Employment and Training Programs		+4.1	3.7
Employer Asked for Qualified Youths and:			
	Received Youths Meeting Qualifications	+2.6	3.2
	Received Youths Not Meeting Qualifications	-1.7	5.2
(Comparison Group)	Employer did not ask for Qualifications		
Employer Rating of Youth Work Habits:			
	Above Average	+6.7*	3.4
	Below Average	-12.0***	4.4
(Comparison Group)	Average		
Youths Performance Improved Over Time		+8.3**	3.7
Youths Required More Staff Time Than Expected		-5.8*	3.2
Frequency of Counselor Contact:			
	Once a Week or More	-5.9	3.9
	Once a Month or Less	+8.3**	4.2
(Comparison Group)	Twice a Month		
Counselors Found Helpful in Some Area		+2.2	3.4
Counselors Found Unhelpful in Some Area		-0.002	4.1
Employer Approached for Subsidy Reduction		+10.9**	5.4
Employer in Site Using Business Intermediaries:		-4.4	4.4
Employer in Mississippi:		-19.5****	4.7
Proportion of Program Worksites in the Private Sector in September 1979:			
	Proportion	+1.5**	0.7
	Proportion Squared	-0.02***	0.007
Constant		47.5	
Sample Size		493	
R^2 of Regression Model		.159	
Standard Error of the Regression		31.53	

SOURCE: Linear Regression based on data obtained from the May 1980 Work Sponsor Survey.

NOTES: Estimates are based on the 493 cases for which complete data are available. The F level for this equation is 4.244, which is significant at the 1 percent level of significance. Significance of individual coefficients is calculated using two tailed t-tests.

*Significant at the 10 percent level.
**Significant at the 5 percent level.
***Significant at the 1 percent level.
****Significant at the 0.1 percent level.

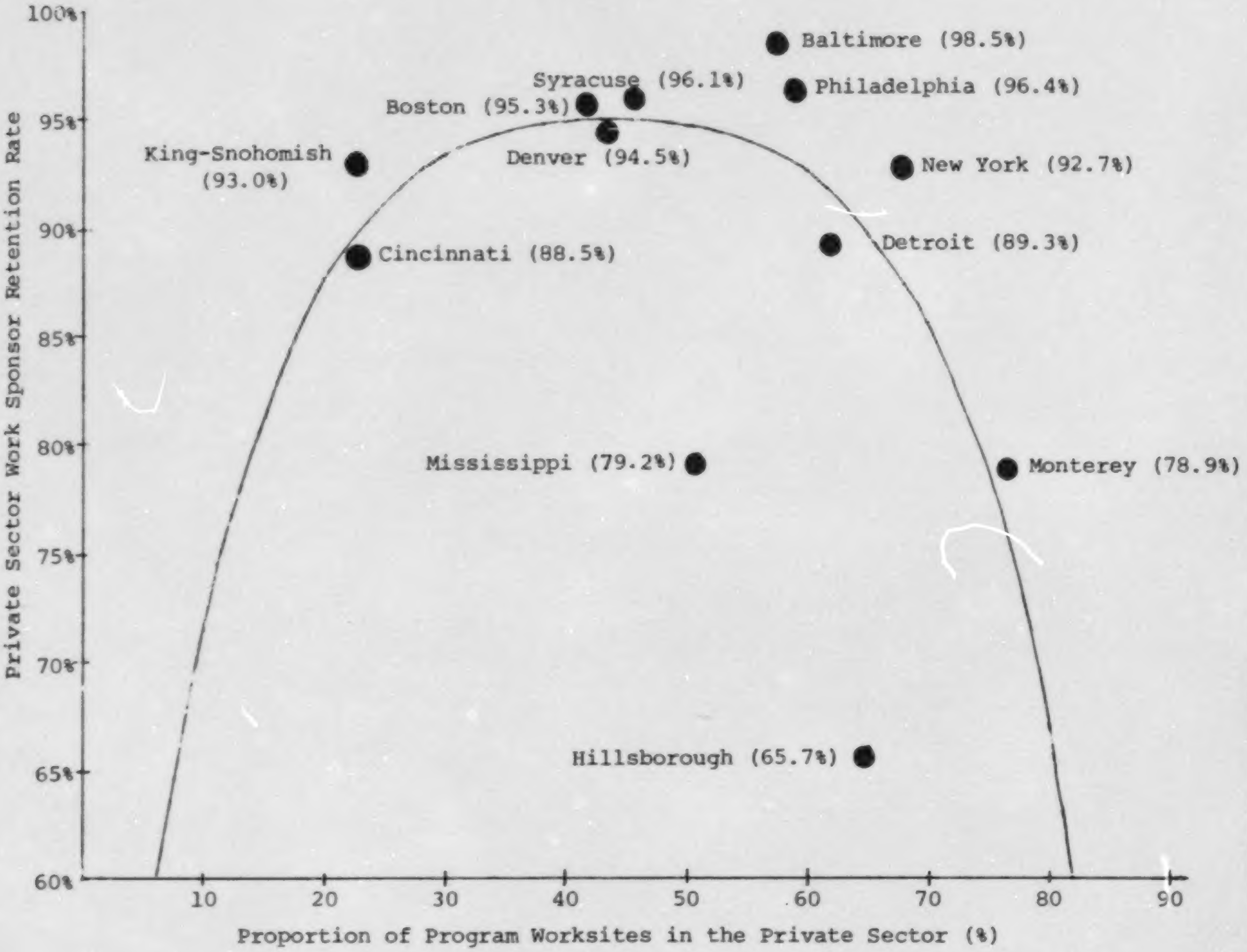
Entitlement youths at the time of the interview. The variable was coded zero if the employer did not accept an Entitlement youth at the time of the interview and was unwilling to do so in the future. The independent variables in the model are self-explanatory. All factors, except size of firm, the proportion of worksites in the private sector in the local Entitlement program and this proportion squared, are binary variables coded as one if the variable applies to a given case, and zero if it does not. Size of firm is measured in full-time equivalent employees, with two part-time employees equal to one full-time equivalent. The proportion of worksites in the private sector for each program was measured using data from the Entitlement Information System.

The curvilinear relationship between the proportion of program work sponsors in the private sector and the retention of these work sponsors was noted in the text in Chapter 4. This relationship is identified by the program proportion and program proportion squared variables in Table B-4, and suggests that, over the range of private sector program emphases observed in the sites that were surveyed, private sector work sponsor retention rates declined as the proportion of private sector work sponsors in the program increased. This relationship is graphed in Chart B-1. The dots on the chart indicate the fitted values for work sponsor retention at each site when the program proportion variables in the equation in Table B-4 are replaced by a set of dummy variables for the sites. Except for Mississippi and Hillsborough, these fitted values fit the curve rather well. Table B-5 gives the unadjusted values for private sector retention at each site for comparison.

The relationship between worksite retention and employer character-

CHART B-1

RELATIONSHIP BETWEEN PRIVATE SECTOR WORK SPONSOR RETENTION AND PROPORTION OF PROGRAM WORKSITES IN THE PRIVATE SECTOR, AS ESTIMATED BY REGRESSION



SOURCE: Two linear regressions based on data from the May 1980 Work Sponsor Survey. One regression, shown in Table B-4, established the curve, while a similar regression established fitted retention rates for each program.

NOTES: See Table B-5 for unadjusted retention rates and sample sizes by program.

______ : Relationship estimated by regression.

● : Fitted retention rates for individual sponsors, ignoring effects of the scale of private sector efforts.

Table B-5

WORK SPONSOR RETENTION BY SITE AND FOR SITES USING INTERMEDIARIES AND OTHER STRATEGIES

Prime Sponsor Strategy and Site	Number of Employers Interviewed	Retention Rate
Intermediary		
Cincinnati	23	87.0
Denver	36	91.7
Hillsborough	11	90.9
Philadelphia	16	93.8
Total Intermediary	86	90.7
Other Sites		
Baltimore	54	96.3
Boston	77	90.9
Detroit	96	79.2
King-Snohomish	27	92.6
Mississippi	84	81.0
Monterey	21	76.2
New York	49	89.8
Syracuse	19	89.5
Total Other Sites	343	87.5
Total	513	86.9

SOURCE: May 1980 Work Sponsor Survey data.

NOTES: Differences in retention rates for the various sites are not statistically significant as measured by analysis of variance.

istics was also estimated using ordinary least squares. As noted in Appendix A, ordinary least squares is not an appropriate estimation procedure for binary dependent variables of the type used in this model. The least squares specification does have the advantage, however, of being readily interpretable, since the least squares coefficients are the measure of the impact of a given variable on the outcome being measured. The least squares regression model using the explanatory variables shown in Table B-4 is shown in Table B-6. Given the limited variance of the dependent variable, this model explains work sponsor retention relatively well. The least squares regression model predicts retention rates that are generally lower than those predicted by the logistic model, sometimes by as much as 4 to 6 percentage points, except where predicted values are over 98 percent. The overall retention rate predicted by the least squares model was 87.0 percent versus 92.8 percent predicted by the logistic regression and 86.9 percent calculated from the raw data. All coefficients in the least squares regression had the same sign and relative significance as those in the logistic regression, although one variable -- previous experience with youth employees -- is significant in the logistic model when it was not significant in the least squares model. Because of greater efficiency, the logistic model was used to produce the fitted retention rates presented in the text. For reasons of simplicity of presentation, the least squares models will be used in the analysis of the impact of business intermediaries and worksite retention in Mississippi which follows.

The analysis of the impact of intermediary organizations and the impact of being a work sponsor in Mississippi calls for more than one

Table B-6

COEFFICIENTS FOR A LOGISTIC REGRESSION MODEL ESTIMATING THE IMPACT OF WORK SPONSOR CHARACTERISTICS, EMPLOYER EXPERIENCES, AND PRIME SPONSOR CHARACTERISTICS ON WORK SPONSOR RETENTION

Variables		Coefficient	Standard Error
Industry Type:	Manufacturing	+.431	.668
	Trade	+.713	.501
	Service	+.016	.506
(Comparison Group)	Other Sectors		
Size of Establishment in Full-Time Equivalencies		+.005	.004
Prior Experience with Youth Employees		+.551	.317
Prior Experience with Employment and Training Programs		+.299	.447
Employer Asked for Qualified Youths and:			
	Received Youths Meeting Qualifications	+.299	.346
	Received Youths Not Meeting Qualifications	-.115	.476
(Comparison Group)	Employer did not ask for Qualifications		
Employer Rating of Youth Work Habits:			
	Above Average	+1.069	.488
	Below Average	-.822	.381
(Comparison Group)	Average		
Youths Performance Improved Over Time		+.665	.346
Youths Required More Staff Time Than Expected		-.609	.319
Frequency of Counselor Contact:			
	Once a Week or More	-.534	.413
	Once a Month or Less	+.973	.483
(Comparison Group)	Twice a Month		
Counselors Found Helpful in Some Area		+.270	.361
Counselors Found Unhelpful in Some Area		+.050	.417
Employer Approached for Subsidy Reduction		+1.850	1.083
Employer in Site Using Business Intermediaries:		-.341	.506
Employer in Mississippi:		-1.811***	.474
Proportion of Program Worksites in the Private Sector in September 1979:			
	Proportion	.156**	.074
	Proportion Squared	-.002**	.001
Constant		-2.007	1.930
Sample Size		493	
-2 x Log Likelihood		298.97	
Model Chi-Square		81.66	

SOURCE: Logistic regression based on data obtained from the May 1980 Work Sponsor Survey.

NOTES: Estimates are based on the 493 cases for which complete data are available. This model is used to produce adjusted retention rates shown in Table 20 and Chart B-1. The model has 21 degrees of freedom. Significance of individual coefficients is calculated using Chi-Square tests.

*Significant at the 10 percent level.
**Significant at the 5 percent level.
***Significant at the 0.1 percent level.

regression. One could not, for example, control for the impact of the activities undertaken by intermediaries and then conclude, using a dummy variable for sites using intermediaries, that intermediaries had no impact.

In order to determine the impact of intermediary organizations on work sponsor retention, three least squares regressions were compared with raw data for work sponsor retention at sites of various types. The third and final regression is shown in Table B-6 and includes all variables thought appropriate. The remaining two regressions are shown in Table B-7. Model A, the first regression, controls only for employer characteristics, past experiences, and the proportion of private sector work sponsors in each Entitlement program. Model B controls for these variables, plus six variables associated with the quality of youths supplied to the work sponsor.

Comparison of the regression coefficients for intermediary organizations produced by these regressions with the unadjusted data shows that the relative superiority of intermediary organizations in fostering work sponsor retention drops as more and more of their activities are controlled for, but that retention rates in the sites that use intermediaries are never significantly different from those sites that do not. Mississippi retention rates can be compared in the same manner. The results show that Mississippi's retention rate is far higher than it would have been if Mississippi employers were not as satisfied with their youths and the frequency of counselor contact with employers was not lower than in other sites. Table B-8 makes these comparisons explicit. As noted in the text, Mississippi was the only program that did not

Table B-7

COEFFICIENTS FOR TWO LINEAR REGRESSION MODELS ESTIMATING THE IMPACT OF WORK SPONSOR CHARACTERISTICS AND PRIME SPONSOR CHARACTERISTICS ON WORK SPONSOR RETENTION

Variables	Model A Coefficient	Model A Standard Error	Model B Coefficient	Model B Standard Error
Industry Type: Manufacturing	-0.5	6.9	+3.4	6.7
Trade	+5.8	5.0	+6.0	4.8
Service	-1.4	5.2	-0.7	5.0
(Comparison Group) Other Sectors				
Size of Establishment in Full Time Equivalencies	+0.01	0.01	+0.01	0.01
Prior Experience with Youth Employees	-4.9	3.1	-5.3*	3.0
Prior Experience with Employment and Training Programs	+4.3	3.8	+5.1	3.7
Employer Asked for Qualified Youths and: Received Youths Meeting Qualifications	NA	NA	+3.2	3.2
Received Youths Not Meeting Qualifications	NA	NA	-0.9	5.1
(Comparison Group) Employer Did Not Ask For Qualifications				
Employer Rating of Youth Work Habits: Above Average	NA	NA	+7.1**	3.4
Average	NA	NA	-11.5***	4.3
(Comparison Group) Below Average				
Youths Performance Improved Over Time	NA	NA	+8.3**	3.6
Youths Required More Staff Time Than Expected	NA	NA	-6.3**	3.2
Employer in Site Using Business Intermediaries:	+0.2	4.3	-1.2	4.2
Employer in Mississippi:	-11.2**	4.4	-13.9****	4.3
Proportion of Program Worksites in Private Sector in September 1979: Proportion	0.9	0.07	0.8	0.6
Proportion Squared	-0.01	0.007	-0.01	0.007
Constant	68.0		63.2	
Sample Size	503		502	
R^2 of the Regression	.037		.128	
Standard Error of the Regression	33.07		31.69	

SOURCE: Linear regressions based on data obtained from the May 1980 Work Sponsor Survey.

NOTES: Models are based on cases for which complete data are available. Sample sizes change when variables with missing observations are added to the regressions. The F level for Model A is 1.88 which is significant at the 5 percent level of significance. The F level for Model B is 4.44 which is significant at the 1 percent level of significance. Significance of individual coefficients is calculated using two tailed t-tests.

*Significant at the 10 percent level.
**Significant at the 5 percent level.
***Significant at the 1 percent level.
****Significant at the 0.1 percent level.

Table B-8

UNADJUSTED AND ADJUSTED DIFFERENCES BETWEEN PROGRAMS IN PRIVATE SECTOR WORK SPONSOR RETENTION, BY SITE GROUPS

Site Group[a]	Unadjusted Differences in Retention Rate from Other Sites	Differences in Retention Rates from Other Sites Predicted by Three Regression Models:[b]		
		Model A	Model B	Model C
Intermediaries	+3.2	+0.2	-1.2	-4.4
Mississippi	-6.5	-11.2 **	-13.9 ****	-19.5 ****

SOURCE: Data was obtained from the May 1980 Work Sponsor Survey. Unadjusted differences were calculated from data on Table B-5. Adjusted differences were obtained from linear regression models based on May 1980, Work Sponsor Survey data.

NOTES: Sample sizes for each group are provided in Table B-5. Sample sizes for regression estimates are reduced by the presence of missing values in the three regression models.

[a] Sites using intermediaries are Cincinnati, Denver, Hillsborough, and Philadelphia. Retention rates for this group and Mississippi are compared with the average retention rate for all other sites.

[b] Model A and Model B are Models A and B of Table B-8. Model C is the regression model shown in Table B-7.

Significance of differences between unadjusted retention rates for the two groups and the remaining sites were measured by F-test using analysis of variance. The significance of the regression coefficients for Mississippi and sites using intermediaries produced by Models A through C are measured using two tailed t-tests.

**Significant at the 5 percent level.
****Significant at the 0.1 percent level.

offer a 100 percent wage subsidy to private sector sponsors. This factor, as well as other factors which differentiate Mississippi from other sites, contribute to Mississippi's low retention rate.

A variety of additional variables were considered for these models but were not included. Some such as program tier, indices of satisfaction with individual youths, percent of the six most recently employed youths fired, and number of private sector work sponsors at a program site, did not have significant and independent influences on retention. Others, such as length of participation as a work sponsor, requests for replacement youths and receipt of replacement youths, were not independent of the outcome variable. These latter variables measure the willingness of work sponsors to continue participation, and it is therefore not valid to speak of these factors as causing changes in work sponsor retention. The variable identifying firms approached for subsidy reduction is also not independent of the dependent variable, since firms had to be active work sponsors to be approached for subsidy reduction. This variable identified the high retention rates among firms so approached. Its inclusion did not significantly alter the pattern of relationships observed among other variables, and it was therefore included as a means of better describing the survey sample.

APPENDIX C

THE WORK QUALITY-DISPLACEMENT RELATIONSHIP

Data used in Chapter 5 are drawn primarily from MDRC's Quality of Work Surveys. These surveys were used as the basis of Ball, et al., The Quality of Work in the Youth Entitlement Demonstration, 1980. The survey methods and analysis strategies of that study will be summarized in this appendix as they apply to the data presented in this study. This appendix also summarizes data on displacement gathered in two Labor Market Surveys administered to private sector firms as a part of two waves of the Quality of Work Surveys, and describes the methods used to estimate the relationship between quality of work and displacement.

Data for the Quality of Work Study were gathered in five survey waves over the period between September 1978 and November 1979. The first three survey waves were conducted in Tier I sites only, during the 1978-1979 school year. The two final survey waves were conducted in the summer and fall of 1979 in all Tier I sites and eight Tier II sites. Private sector observations were made in the five Tier II sites with significant numbers of private sector work sponsors.[1] The Entitlement Information System was used to identify the universe of firms to be sampled. Data on displacement were gathered for private sector worksites in the last two survey waves. The survey samples in these two waves were drawn so that sufficient numbers of Tier II sites would be available for comparison with Tier I sites.

---

[1] These are the same sites surveyed in the May 1980 Work Sponsor Survey.

A total of 1,385 work sponsors was randomly drawn for inclusion in the five samples; any firm assessed in a previous survey wave was replaced by another sample observation. Work sponsors were assessed only if they actively employed Entitlement youths at the time of survey. A total of 520 worksite assessments were conducted, and 125 of these observations were in the private sector and included Labor Market questionnaires.

Site observations were made by field assessors who prepared semi-structured narrative reports on each worksite. The assessors were either MDRC field staff out-stationed to the sites with responsibilities for monitoring operations and gathering research data, centrally-based MDRC staff with similar functions for their sites (Tier II sites, in this case), or outside consultants previously involved with MDRC's research efforts on Entitlement. In order to gather information on a set range of topics, the assessors followed a survey instrument which specified that they speak to the supervisors of youths and the youths themselves and try to observe the work being done by the program youths. Assessors were encouraged to be discursive, but overall the topics covered in the reports were organized into five major categories. The factors included in each of the five categories and the field assessors' rating scale are summarized in Table C-1. Each worksite report included a summary narrative and numerical rating of the overall quality of the worksite based on the assessor's observations. For quantitative analysis, the data in the narrative assessment reports were formally content-analyzed by a team of four coders, using procedures more fully described in the Quality of Work study. The end result of this analysis was a worksite quality rating of

Table C-1

ORGANIZATION OF THE QUALITY OF WORK FIELD INSTRUMENT BY MAJOR WORK QUALITY FACTORS AND SUB-FACTORS ASSESSED BY FIELD ASSOCIATES

1. General Descriptive Information

   Type of work site; tier; full-time or part-time; sector of sponsor; number of youth assigned; normal participant-to-supervisor ratio; number of separate jobs assessed.

2. Work Content

   Task description; amount of training required; what tools used; physical or mental skills required; task variety; whether task responsibilities increase over time.

3. Worksite Organization

   Orientation of work sponsor to supervision requirements; timecard procedures; attendance and performance standards; role of program counselors; grievance procedures; orientation of youth to attendance and performance standards, timecard procedures; supervisor judgement on whether appropriate number of youth assigned; supervisor, youth, assessor judgements or whether youth busy most of the time; are youth judged by same general standards as regular employees; do youth interact frequently with regular staff; do youth understand duties; are youth expected to complete tasks within specified period of time.

4. Supervision

   Supervisor tenure with agency; supervisor experience performing youth's assigned tasks; supervisor experience with training; supervisor experience with other manpower programs; supervisor experience counseling youth; proximity of supervisor to youth; frequency of interactions with youth; content of interactions with youth; youth perceptions of supervisor helpfulness and accessibility; assessor judgement about quality of youth-supervisor interaction.

5. Youth Perception of Value of Assignment

   Did youth get type of job requested; are youth satisfied with assignment; do youth believe assignment is useful in terms of learning, obtaining work history, getting future job; do youth feel work is of value to agency, to community.

6. Value of Work to Sponsoring Agency

   Does sponsor believe participants' work is consistent with agency mission; that youth are producing valuable output; that agency effectiveness is increased by participants' work.

7. Summary Comments and Assessor's Rating of Worksite

   Ratings: inadequate, adequate, good, outstanding inadequate, adequate, good, or outstanding.

Estimation of the relationship between displacement and the quality of the work experience of Entitlement youths proceeded in two steps. First, an estimate of the extent of displacement in each private sector worksite was developed. Second, a regression model was estimated to explain variations in displacement among the worksites. One of the factors explaining variations in displacement is the quality of the worksite, as judged by the field staff who assessed the worksites. The two steps are described here.

Estimation of displacement is in itself a complex task, and one which is the subject of much debate.[1] Displacement in Entitlement can be defined as the difference between the number of persons employed in unsubsidized jobs in an Entitlement area and the number of such persons who would have been employed in the absence of the program. Since the latter figure is not observable, some means must be developed to estimate it. Unicon Research Corporation is currently conducting a large-scale field evaluation and econometric study of displacement in four Entitlement programs. This study, which will use the two methodologies currently used to measure displacement, should provide definitive estimates of the displacement rates assocated with Entitlement in the public, private and nonprofit sectors.

To gather data on displacement in the private sector for this study, displacement was estimated using a method based on the typology of job creation and displacement developed by the Brookings Institution (see Nathan, et al., 1978). This typology recognizes that the employment of a subsidized person may result in either displacement or job creation, and that these events can occur in a number of ways. A survey instrument was designed to ascertain the extent of both displacement and job creation according to the following:

---

[1] For a summary of the pros and cons of the various methods used to estimate displacement, see M. Borus and D. Hamermesh, in Job Creation Through Public Service Employment, 1978.

Types of Displacement

1. A youth who is employed by a firm prior to the Entitlement program is shifted to YIEPP funding after entering the program.
2. A firm replaces a terminated employee (quit or fired) with a YIEPP youth rather than an unsubsidized person.
3. A firm hires a YIEPP youth to do work that it previously had done for it by another firm. (Note that the displacement in this case occurs at the other firm).
4. A firm whose business is expanding hires YIEPP youths rather than unsubsidized persons to fill the new positions.

Types of Job Creation

1. The availability of the YIEPP youths makes it feasible for a firm to offer a new service or product.
2. The availability of the YIEPP youths makes it feasible to increase existing services or production levels.

It should be noted that the last three categories attempt to make the difficult distinction between work that would have been done even if there were no Entitlement youths (displacement), and work that was made possible by the availability of subsidized youths.

The questionnaire used in the two Labor Market survey waves included questions designed to measure the displacement or job creation associated with each type of behavior identified above. Data describing the firm and identifying the reasons for employer participation were also obtained.

Only one firm reported displacement of the first type listed above.

One hundred three, or 83.1 percent of the firms, indicated that subsidized youths did tasks previously done by regular employees. These responses indicate the possibility of displacement, but do not measure it. Displacement was measured in the survey instrument by asking employers to identify the number of work hours which regular employees saved as the result of the presence of Entitlement workers or the proportion of work done by Entitlement workers which would have been done in their absence. Labor time was measured in hours, so that displacement was measured as the ratio of the number of hours not worked by regular employees or contractors as the result of the presences of subsidized workers, divided by the number of hours worked by the subsidized workers. According to this definition, displacement occurs at a rate of 25 percent when a regular employee works five fewer hours per week because a subsidized worker is hired to work 20 hours per week. Viewed from the opposite perspective, 75 percent of the time spent by the subsidized worker represents work created by the subsidy. Although it is theoretically possible for displacement to take place at rates higher than 100 percent, as in the case where subsidized youths complete work normally done more slowly by regular employees, 100 percent is treated as the upper bound for displacement in this analysis. At this rate subsidized labor is substituted for regular labor on a one-for-one basis.

Unfortunately for the purposes of the data analysis, over half of the firms questioned provided information which produced multiple estimates of displacement. This occurred when employers allocated more than 100 percent of their Entitlement worker's time to the six categories of labor market behavior described above, and interviewers did not recognize these responses as contradictory. Displacement values could be assigned to 111 of the firms after a detailed analysis of survey responses was conducted and a set of decision rules established for dealing with multiple estimates. These rules, along with the set of survey questions used to determine the extent of displacement, are available to interested researchers on request.

The distribution of displacement rates assigned to firms is shown in Table C-2. The average displacement rate summarizes the behavior of the 111 firms in the sample for which displacement rates could be assigned.

A displacement rate for private sector worksites in the Entitlement demonstration as a whole can be calculated if displacement rates are assigned to individual youths. This program rate of displacement depends not only on the displacement rates of individual firms, but the number of youths hired at each displacement rate. If firms with high displacement rates employ more subsidized labor than firms with low displacement rates, one would expect the overall program rate of displacement to be higher than the average displacement rate for participating firms.

As can be seen in Table C-2 the average of displacement rates assigned to individual firms is 47.4 percent. The median displacement rate is 50.0 percent. The overall program private sector displacement rate, the average of the displacement rates for individual youths, is 49.9 percent. The first average implies that private sector firms in the sample reported, on average, savings of 47 hours of regular labor time for every 100 hours of labor they employed through Entitlement. Looking at the program as a whole, every 100 hours of labor subsidized by the Youth Entitlement Demonstration in private sector work sites costs

Table C-2

DISTRIBUTION OF PRIVATE SECTOR WORK SPONSORS AND INDIVIDUAL ENTITLEMENT YOUTHS BY DISPLACEMENT RATE ASSOCIATED WITH EACH SPONSOR OR YOUTH

Displacement Rate	Work Sponsors		Youth[a]	
	Number	Percent	Number	Percent
0%	16	14.4%	31	12.7%
1%-10%	1	0.9%	1	0.4%
11%-20%	6	5.4%	12	4.9%
21%-30%	19	17.1%	32	13.1%
31%-40%	7	6.3%	12	4.9%
41%-50%	19	17.1%	48	19.6%
51%-60%	6	5.4%	16	6.5%
61%-70%	9	8.1%	40	16.3%
71%-80%	10	9.0%	20	8.2%
81%-90%	1	0.9%	1	0.4%
91%-100%	17	15.3%	32	13.1%
Total:	111	100.0%	245	100.0%
Average Rate	-	47.4%	-	49.9%
Standard Error	-	3.1%	-	1.9%

SOURCE: Quality of Work Labor Market Surveys.

NOTES: Percents may not sum to 100 due to rounding.

[a] The displacement rates assigned to individual youths are the displacement rates assigned to the work sponsors where the youths are employed.

regular private sector employees nearly 50 hours of work.

Assuming that the decision rules used to produce displacement estimates always produce correct results, and that employers were accurate in their estimates of labor time saved by Entitlement workers, the displacement estimate for work sponsors is accurate to plus or minus 6 percentage points and the estimate for youths is accurate to plus or minus 4 percent. In fact, the results presented here are probably less precise than this. Because of small sample sizes and the necessity of interpreting a large number of employer responses, these results should not be regarded as definitive estimates of displacemnt in the Entitlement program at private sector worksites. The report on the Unicon Research Corporation's displacement study should provide more reliable estimates.

After estimating displacement in each worksite in the sample, it was necessary to develop a model that explained variations in displacement, and which included the quality of work experience as one of the explanatory factors. This is essential since it is important to avoid attributing to worksite quality a relationship with displacement that may really be due to other factors. Ideally, this model would include the various characteristics of each firm, such as its size, financial condition, recent changes in output or sales, the skill mix of the work force and the degree to which workers of different skills can be substituted for each other. Unfortunately, only a few of these characteristics could be measured in a short interview. In addition, program-related features may affect displacement. For example, some programs may monitor the firms more closely than others, discouraging displacement. There may also be more displacement during the school year than in the summer. Firms may find it easier to substitute Entitlement youths for part-time workers rather than for full-time ones. In addition, youths may be used for special projects in the summer, ones that otherwise might not have been done, and little or no displacement would result. On the other hand, the greater the number of Entitlement youths at a worksite relative to the number of regular employees, the more likely it is that the youths are engaged in productive activities, and thus are displacing regular employees.

Another potentially important influence on displacement is the attitude of the firm towards the Entitlement program. Each employer was asked to recall what factors he/she perceived as advantages to participating as an Entitlement work sponsor. The volunteered responses are shown in Table C-3, which shows the least squares regression model used to predict displacement. Responses in the first five employer motivations are expected to be associated with higher levels of displacement. A response in category six is expected to be associated with less displacement, and a response in the last category could point in either direction. The other variables in the model are:

1. A dummy variable distinguishing Tier I from Tier II worksites, to account for possible differences in prime sponsor monitoring, which could be more thorough at the smaller Tier II sites.
2. A dummy variable distinguishing full-time, summer from part-time, school-year worksites.
3. Dummy variables reflecting the major industrial classification (manufacturing, wholesale and retail trade, services) of the firm.
4. The size of the firm, measured by the number of full-time, regular employees.

Table C-3

COEFFICIENTS FOR A REGRESSION MODEL
ESTIMATING THE IMPACT OF WORKSITE QUALITY, EMPLOYER CHARACTERISTICS,
AND EMPLOYER MOTIVATIONS ON DISPLACEMENT

Variables		Coefficient	Standard Error
Worksite Quality:	Adequate	+13.6	11.5
	Good	+18.1	11.2
	Outstanding	+22.0*	12.5
(Comparison Group)	Inadequate		
Entitlement Workers Available For:			
	Full Time Work (Summer)	-17.1**	6.7
(Comparison Group)	Part Time Work (Fall)		
Tier I Worksite		+ 2.2	6.8
Number of Employees		+ 0.02	0.02
Ratio of Regular Employees to Entitlement Employees		- 1.7	2.6
Industry Type:	Manufacturing	+ 9.9	15.9
	Trade	- 7.4	11.2
	Services	- 9.1	11.7
(Comparison Group)	All Others		
Employer Motivations:			
A Chance to Hire a Specific Youth Known to the Firm		+14.2	17.0
A Chance to Hire a Motivated Youth		-11.2	11.4
A Chance to Look Over Unskilled Workers		+ 3.9	7.4
A Chance to Hire Cheap Labor, No Wage Cost		- 2.0	7.6
A Minimum of Paperwork is Required		+36.7**	14.4
A Chance to do Something for Unemployed Youth		- 9.4	7.2
A Chance to Expand Output Temporarily		+ 7.5	9.4
Constant		49.0	
Sample Size		105	
R^2 of the Regression		.208	
Standard Error of the Regression		31.27	

SOURCE: Linear Regression based on data obtained from the Labor Market Survey of the Quality of Work Study.

NOTES: The model is based on 105 cases for which complete data are available. The F level of this regression is 1.346.

The significance of individual coefficients is measured using two-tailed t-tests:

*Significant at the 10 percent level.
**Significant at the 5 percent level.

5. The ratio of Entitlement youths to regular employees.

6. The worksite quality rating, as judged by the MDRC field assessors.

Displacement is measured at the level of the firm in this analysis.

The major finding is that higher worksite quality is associated with greater displacement. The estimated coefficients imply that, on average, displacement in outstanding worksites will be 22 percentage points higher than in inadequate worksites. Although the differences between displacement at inadequate worksites and worksites at intermediate quality levels are not significant, it appears that the biggest increase in displacement with further increases in quality associated with smaller increments in displacement.

The dummy variables, those which can only take the value 0 or 1, show the percentage difference in displacement associated with being in a particular state, or not. For example, full-time worksites have 17 percentage points less displacement, on average, than part-time worksites. This highly significant finding confirms the hypothesis set forth above that it is easier for firms to substitute Entitlement youths for regular employees when the youths are employed part-time during the school year.[1] The other factor that is significantly related to displacement is the firms' perception that an advantage of Entitlement is its minimal paperwork. These firms were much more likely to displace regular employees than firms which did not share this view (37 percentage points). Only 4 percent of the firms in this sample perceived minimal paperwork as an advantage,[1] but those firms which were conscious of the relative paperwork burdens of hiring youths on their own payrolls appeared quite likely to substitute Entitlement workers for regular employees. The other variables do not exhibit statistically significant associations with displacement.

---

[1] Entitlement youths work an average of about 15 hours of work per week during the school year. See Diaz et al., 1980.

The relationships described in Table C-3 were also estimated using two alternative specifications. The first variation involves a model identical to that shown in Table C-3 except that worksite quality rating was treated as a continuous variable. This model assumes that the change in displacement associated with moving from one worksite quality rating to the next is the same no matter where one starts on the scale. This model predicted that increasing worksite quality from any quality rating to the next is associated with a 6 percentage point increase in displacement. The coefficient for the worksite quality variable was significant at the 10 percent level of significance. The other coefficients in the model were similar in magnitude, sign and significance to those shown in Table C-3. Since the dependent variable in these models -- displacement -- can vary only from 0 percent to 100 percent, linear regression is not strictly appropriate. Therefore, an estimate of the model just described was made using a logit transformation. This produced similar, but less reliable, results.

---

[1] See Table A-3 for a frequency distribution of firms mentioning each advantage in the Quality of Work Labor Market Surveys.

REFERENCES

Ball, Joseph; William Diaz; Joan Leiman; Sheila Mandel and Kenneth McNutt. 1979. The Youth Entitlement Demonstration: An Interim Report on Program Implementation. New York: Manpower Demonstration Research Corporation.

Ball, Joseph; David M. Gerould and Paul Burstein. 1980. The Quality of Work in the Youth Entitlement Demonstration. New York: Manpower Demonstration Research Corporation.

Borus, Michael and D. Hamermesh. 1978. "Study of the Net Employment Effects of Public Service Employment." In National Commission for Manpower Policy. Job Creation Through Public Service Employment, Volume 3. Washington, D.C.: U.S. Government Printing Office.

Butler, Erik and Jim Darr. 1980. Lessons From Experience: An Interim Review of the Youth Employment and Demonstration Projects Act. Waltham, MA: Brandeis University Center for Public Service.

Corporation for Public/Private Ventures. 1980. Ventures in Community Improvement: Third Interim Report. Philadelphia: CP/PV.

Diaz, William A.; Joseph Ball; Nancy Jacobs; Loren Solnick and Albert Widman. 1980. The Youth Entitlement Demonstration: Second Interim Report on Program Implementation. New York: Manpower Demonstration Research Corporation.

Felder, Henry E. 1980. "Research Design and Implementation Report: The Wage Subsidy Variation of the Youth Entitlement Project." Arlington, Virginia: SRI International.

Hanushek, Eric and John Jackson. 1977. Statistical Methods for Social Scientists. New York: Academic Press.

Johnston, J. 1972. Economic Methods, 2nd Edition. New York: McGraw-Hill.

Kobrak, Peter. 1973. Private Assumption of Public Responsibilities: The Role of American Business in Urban Manpower Programs. New York: Praeger.

Nathan, Richard P.; Robert F. Cook; Janet M. Galchick; Richard W. Long; et al. 1978. "Monitoring the Public Service Employment Program." In National Commission for Manpower Policy. Job Creation Through Public Service Employment, Volume 2. Washington, D.C.: U.S. Government Printing Office.

Osterman, Paul. 1980. Getting Started: The Youth Labor Market. Cambridge, Massachusetts: M.I.T. Press.

United States General Accounting Office. 1979. "More Effective Management Is Needed to Improve the Quality of the Summer Youth Employment Program," HRD-79-45. Washington, D.C.: U.S. Government Printing Office.

____________. 1980. "CETA Demonstration Provides Lessons on Implementing Youth Programs," NRD-81-1. Washington, D.C.: U.S. Government Printing Office.

Vice-President's Task Force on Youth Employment. 1980. A Summary Report of the Vice-President's Task Force on Youth Employment. Washington, D.C.: U.S. Government Printing Office.

Wirtz, Willard and the National Manpower Institute. 1975. The Boundless Resource: A Prospectus for an Education/Work Policy. Washington, D.C.: New Republic Book Company.

PUBLISHED REPORTS

Barclay, Suzanne; Bottom, Christine; Farkas, George; Olsen, Randall; Stromsdorfer, Ernst W. SCHOOLING AND WORK AMONG YOUTHS FROM LOW-INCOME HOUSEHOLDS: A BASELINE REPORT FROM THE ENTITLEMENT DEMONSTRATION, 1979.

Ball, Joseph; Diaz, William; Leiman, Joan; Mandel, Sheila; McNutt, Kenneth. THE YOUTH ENTITLEMENT DEMONSTRATION: AN INTERIM REPORT ON PROGRAM IMPLEMENTATION, 1979.

Ball, Joseph; Gerould, David M.; Burstein, Paul. THE QUALITY OF WORK IN THE YOUTH ENTITLEMENT DEMONSTRATION, 1980.

Diaz, William A.; Ball, Joseph; Jacobs, Nancy; Solnick, Loren; Widman, Albert. THE YOUTH ENTITLEMENT DEMONSTRATION: SECOND INTERIM REPORT ON PROGRAM IMPLEMENTATION, 1980.

Farkas, George; Smith, D. Alton; Stromsdorfer, Ernst W.; Bottom, Christine. EARLY IMPACTS FROM THE YOUTH ENTITLEMENT DEMONSTRATION: PARTICIPATION, WORK AND SCHOOLING, 1980.

Leiman, Joan. QUALITY CONTROL OF ELIGIBILITY: RESULTS OF A PILOT PROJECT, YOUTH ENTITLEMENT DEMONSTRATION, 1980.

Mandel, Sheila; Solnick, Loren. A PRELIMINARY ESTIMATE OF THE IMPACT OF YOUTH ENTITLEMENT ON SCHOOL BEHAVIOR, 1979.

Manpower Demonstration Research Corporation. THE YOUTH ENTITLEMENT DEMONSTRATION PROGRAM: A SUMMARY REPORT ON THE START-UP PERIOD OF THE YOUTH INCENTIVE ENTITLEMENT PILOT PROJECTS, 1979.

Manpower Demonstration Research Corporation. OPPORTUNITY FOR A FUTURE, 1978. A descriptive brochure. (Free of charge)

All published reports are available from Manpower Demonstration Research Corporation at a charge of $3.00 each to handle printing costs and mailing.

MDRC REPORTS ON THE ENTITLEMENT DEMONSTRATION

SCHEDULE FOR FORTHCOMING RESEARCH REPORTS

REPORT	ISSUES COVERED	DATE
A Report on Youths' Reactions to Entitlement in Two Entitlement Sites	● An ethnographic study of how some youths view the program	April, 1981
An Analysis of Program Enrichments in the Youth Entitlement Demonstration	● Implementation, participation and impact issues in the delivery of Enrichment programs	May, 1981
A Final Report on Program Implementation	● Implementation issues ● Cost issues	July, 1981
The Impacts of Youth Entitlement on Local Labor Markets	● Effects on local youth unemployment ● Displacement issues	July, 1981
Report on In-Program and Post-Program Impacts Through September 1980	● Employment impacts ● Schooling impacts	September, 1981
A Final Report on In-Program and Post-Program Impacts	● Employment impacts ● Schooling impacts	September, 1982
A Summary Report on the Youth Entitlement Demonstration	● Impact issues ● Implementation issues ● Cost issues	August, 1982